

COUNTY OF SCHOOLCRAFT, MICHIGAN

BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2008

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ANDERSON, TACKMAN & COMPANY, PLC

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Commissioners
County of Schoolcraft
Manistique, Michigan 49854

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the County of Schoolcraft, Michigan as of and for the year ended September 30, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Schoolcraft's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Schoolcraft Memorial Hospital, which represent 41% of the assets, 28% of net assets, and 64% of revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for Schoolcraft Memorial Hospital, are based on the reports of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the County of Schoolcraft, Michigan as of September 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the

year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2009, on our consideration of the County of Schoolcraft, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The Management's Discussion and Analysis and the budgetary comparison information on pages 3 - 11 and 58 - 61, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Schoolcraft's basic financial statements. The combining nonmajor fund financial statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the County of Schoolcraft, Michigan. The combining nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tackman & Company P.C.

Certified Public Accountants

January 30, 2009

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of Schoolcraft County's financial performance provides an overview of the County's financial activities for the year ended September 30, 2008. Please read it in conjunction with the County's financial statements, which begin on page 12.

FINANCIAL HIGHLIGHTS

- Net assets for the County were reported at \$5,570,596 for 2008 and were \$5,360,006 for 2007, an increase of \$210,590. For 2008, net assets for our business-type activities were \$4,120,163 or 74% of total net assets, while net assets in our governmental activities were \$1,450,433 or 26% of total net assets.
- The County's expenses for 2008 totaled \$5,392,140, while revenues from all sources and transfers totaled \$5,602,730, resulting in an increase of \$210,590. In 2007, total expenses totaled \$5,377,216, while revenues and transfers totaled \$6,194,046, resulting in an increase of \$816,830.
- In the County's business type activities, total revenues were \$1,043,151, or 19% of total revenue, while expenses totaled \$926,707, or 17% of total expenses. This provides excess revenue over expenses of \$116,444.
- The General Fund reported an increase in fund balance of \$12,525 in 2008 and an increase of \$120,753 in 2007, representing an increase in fund balance of 5% and an increase of 85%, respectively. This was after revenues of \$3,421,466 compared to \$3,493,852 in 2007, and expenditures of \$3,204,109 compared to expenditures of \$3,202,284 in 2007.

USING THIS REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and Statement of Activities (on pages 12-13 and 14) provide information about the activities of the County as a whole and present a longer term view of the County's finances. Fund financial statements start on page 15. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide financial statements by providing information about the County's most significant funds. The remaining statement provides financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of government.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued):

Reporting the County as a Whole

Statement of Net Assets and the Statement of Activities

Our analysis of the County as a whole begins on page 6. One of the most important questions asked about the County's finances; "Is the County as a whole better off or in worse condition as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the County's net assets and changes in them. You can think of the County's net assets- the difference between assets and liabilities- as one way to measure the County's financial health, or *financial position*. Over time, *increases or decreases* in the County's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the County's property tax base to assess the *overall financial health* of the County.

In the Statement of Net Assets and the Statement of Activities, we divide the County into two categories of activities:

- Governmental activities - Most of the County's basic services are reported here including public safety, judicial system, health and welfare, parks and recreation and general administration. Property taxes and state and federal grant funds make up the majority of revenue for these activities.
- Business-type activities - The County charges a fee to customers to help it cover all or most of the costs of certain services it provides. The County Airport, Public Transit and the collection of delinquent property taxes primarily make up these activities.

The County also presents five legally separate component units; Economic Development Corporation, Schoolcraft Memorial Hospital, County Road Commission, Medical Care Facility and the Housing Commission which are reported separately from the financial information of the County. A separate financial statement is available for the component units at their administrative offices.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued):

Reporting the County's Most Significant Funds

Fund Financial Statements

Our analysis of the County's Major Funds begin on page 8. The fund financial statements begin on page 15 and provide detailed information on the most significant funds - not the County as a whole. Some funds are required to be established by State law, and by bond covenants. However, the County Board of Commissioners establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal requirements for certain taxes, grants, and other money. The County's two kinds of funds - *governmental and proprietary* - use different accounting methods.

- *Governmental funds* - Most of the County's services are reported in governmental funds which focus on how money flows into and out of those funds and the balances that are left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps you to determine whether there are more or fewer financial resources that can be spent in the near future to finance County's program. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and Statement of Activities) and governmental funds in a reconciliation which follows the fund financial statements.
- *Proprietary funds* - When the County charges customers for the services it provides - whether to outside customers or to other units of the County - these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the County's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for other County programs and activities.

The County as a Trustee

The County is the trustee, or *fiduciary*, of tax receipts and other collections, which are collected for other agencies and held for a periodic payment to those agencies. The County's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 27. We exclude these funds from the County's other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued):

The County as a Whole

The County's net combined assets increased by \$210,590.

Table 1
Net Assets

	Governmental Activities		Business-Type Activities	
	2008	2007	2008	2007
Assets:				
Current and other assets	\$ 3,058,000	\$ 2,966,728	\$ 2,441,405	\$ 2,342,729
Capital assets (net)	1,305,700	1,415,567	1,836,984	1,761,257
Total Assets	<u>\$ 4,363,700</u>	<u>\$ 4,382,295</u>	<u>\$ 4,278,389</u>	<u>\$ 4,103,986</u>
Liabilities:				
Long-term debt outstanding	2,103,948	2,330,357	-	-
Other liabilities	809,319	695,651	158,226	100,267
Total Liabilities	<u>\$ 2,913,267</u>	<u>\$ 3,026,008</u>	<u>\$ 158,226</u>	<u>\$ 100,267</u>
Net Assets:				
Invested in capital assets, net of related debt	480,762	468,629	1,836,984	1,761,257
Restricted assets:				
Expendable	1,230,520	1,106,136	27,390	42,417
Unrestricted	(260,849)	(218,478)	2,255,789	2,200,045
Total Net Assets	<u>\$ 1,450,433</u>	<u>\$ 1,356,287</u>	<u>\$ 4,120,163</u>	<u>\$ 4,003,719</u>

Net assets of the County's governmental activities stood at \$1,450,433 up from \$1,356,287 in 2007 (+7%). Unrestricted net assets, the part of net assets that could be used to finance the day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$(260,849) and \$(218,478) for 2008 and 2007 respectively.

Net assets in our business-type activities stood at \$4,120,163, up from \$4,003,719 in 2007 (+2.9%). Unrestricted net assets for our business-type activities were \$2,255,789 and \$2,200,045 for 2008 and 2007 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued):

Table 2
Changes in Net Assets

	Governmental Activities		Business-Type Activities	
	2008	2007	2008	2007
Revenues:				
Program Revenues:				
Charges for services	\$ 925,157	\$ 996,333	\$ 245,004	\$ 213,556
Operating grants	996,026	1,150,841	403,248	123,360
Capital grants	-	-	192,172	591,739
General Revenues:				
Property taxes	2,615,913	2,863,003	147,493	136,244
Unrestricted investment earnings	76,590	120,143	38,577	46,983
Miscellaneous	-	-	1,640	2,593
Total Revenues	<u>\$ 4,613,686</u>	<u>\$ 5,130,320</u>	<u>\$ 1,028,134</u>	<u>\$ 1,114,475</u>
Program Expenses:				
Legislative	\$ 75,127	\$ 83,947	\$ -	\$ -
Judicial system	1,088,481	1,124,966	-	-
General government	1,139,570	1,110,073	-	-
Public safety	988,809	991,291	-	-
Health and welfare	741,263	841,309	-	-
Recreation and culture	4,876	3,815	-	-
Other	345,599	268,776	-	-
Interest on long-term debt	81,708	92,171	-	-
Delinquent tax revolving	-	-	28,408	28,318
Jail commissary	-	-	4,827	6,486
Building inspection	-	-	67,219	63,744
Building maintenance	-	-	1,194	4,406
Airport	-	-	176,878	148,955
Public transit	-	-	648,181	612,479
Total Expenses	<u>\$ 4,465,433</u>	<u>\$ 4,516,348</u>	<u>\$ 926,707</u>	<u>\$ 864,388</u>
Excess (deficiency) before transfers and contributions	148,253	613,972	101,427	250,087
Transfers	<u>(54,107)</u>	<u>(44,553)</u>	<u>15,017</u>	<u>(2,676)</u>
Increase (decrease) in net assets	94,146	569,419	116,444	247,411
Net assets - beginning	<u>1,356,287</u>	<u>786,868</u>	<u>4,003,719</u>	<u>3,756,308</u>
Net assets - ending	<u>\$ 1,450,433</u>	<u>\$ 1,356,287</u>	<u>\$ 4,120,163</u>	<u>\$ 4,003,719</u>

MANAGEMENT DISCUSSION AND ANALYSIS (Continued):

Governmental Activities

Revenues for the County's governmental activities totaled \$4,613,686, down 10.1% from \$5,130,320 in 2007, while expenses were \$4,465,433, down 1.1% from \$4,516,348. The net assets increased by \$94,146 in 2008, whereas net assets increased by \$569,419 in 2007.

Table three below reflects the cost of each of the County's five largest activities; General government, judicial system, public safety, health & welfare and other, - as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each function placed on the taxpayers.

Table 3
Government Activities

	Total Cost of Services		Net Cost of Services	
	2008	2007	2008	2007
General government	\$ 1,139,570	\$ 1,110,073	\$ 384,916	\$ 318,595
Judicial system	1,088,481	1,124,966	559,084	554,149
Public safety	988,809	991,291	755,725	695,945
Health and welfare	741,263	841,309	433,715	532,872
Other	345,599	265,256	252,201	86,247
Totals	<u>\$ 4,303,722</u>	<u>\$ 4,332,895</u>	<u>\$ 2,385,641</u>	<u>\$ 2,187,808</u>

Business-Type Activities

The County's business-type activities net assets totaled \$4,120,163, with an increase in the current year of \$116,444, compared with \$4,003,719 in 2007. A majority of the increase was due to capital contributions received through state and federal funding for the Public Transit in the amount of \$487,151.

THE COUNTY'S FUNDS

The focus of the governmental funds of the County is to provide information on near-term inflows, outflows and balances in spendable resources. The fund information is useful to determine short-term financing requirements and can be used to measure the County's net resources available for spending at the end of the fiscal year.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued):

For the current fiscal year the County's governmental funds reported total fund balance of \$2,245,309, of which \$31,378 was reserved and \$2,213,931 was unreserved. The General Fund unreserved fund balance amounted to \$245,766, with \$101,436 designated (see Note – C), and \$30,099 was reserved for prepaid items. The General Fund had an increase in fund balance of \$12,525, representing an increase of 5% over the prior year fund balance. The Revenue Sharing Reserve Fund had a fund balance of \$633,013, and the 911 Telephone Fund had an unreserved fund balance of \$537,048.

In fiscal year 2005, in accordance with Public Act 357 of 2004, the County established the Revenue Sharing Reserve Fund which is to be used to replace the State revenue sharing payments for the next several years. The Revenue Reserve Fund transferred \$172,038 to the General Fund in 2008.

General Fund Budgetary Highlights

Over the course of the year, the budget was amended several times. These amendments were made to recognize changes to revenue or expenditures. The budgeted revenues net change from the original budget to the final amended budget amounted to \$148,883, representing an increase of 4.5%. The budgeted expenditures for the final amended budget increased by \$138,002 over the original budget, representing an increase of 4.4%. The original budget projected no change in net assets, while the actual results showed an increase to fund balance of \$12,525.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2008, the County had \$3,142,684, net of accumulated depreciation, invested in a variety of capital assets including machinery and equipment, buildings and improvements, parks, airport infrastructure and land. (See table 4 below).

MANAGEMENT DISCUSSION AND ANALYSIS (Continued):

Table 4
Capital Assets at Year-End
(Net of accumulated depreciation)

	Governmental Activities		Business-Type Activities	
	2008	2007	2008	2007
Land	\$ 73,822	\$ 73,822	\$ 48,890	\$ 48,890
Land improvements	-	-	1,036,472	1,061,477
Buildings and improvements	1,183,549	1,269,040	448,496	443,738
Machinery and equipment	21,911	35,420	72,611	62,366
Vehicles	26,418	37,285	230,515	144,786
Totals	<u>\$ 1,305,700</u>	<u>\$ 1,415,567</u>	<u>\$ 1,836,984</u>	<u>\$ 1,761,257</u>

DEBT

At year-end the County had \$1,929,938 in bonds and notes outstanding.

Table 5
Outstanding Debt at Year-End

	Governmental Activities		Business-Type Activities	
	2008	2007	2008	2007
Building Authority Bonds:				
FIA Expansion	\$ 689,938	\$ 726,938	\$ -	\$ -
Courthouse Renovation	135,000	220,000	-	-
2004 Medical Care Facility	1,105,000	1,215,000	-	-
Notes Payable:				
Northern Lights Revolving Loan	-	15,199	-	-
Totals	<u>\$ 1,929,938</u>	<u>\$ 2,177,137</u>	<u>\$ -</u>	<u>\$ -</u>

The State of Michigan limits the amount of general obligation debt that local units of government can issue to 10% of the current equalized valuation, including TIF valuations. The County's outstanding general obligation debt of \$1,929,938 is well below statutory limits. There were no outstanding debts for business-type activities at year-end of 2008 and 2007.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued):

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The County Board of Commissioners and county management will consider many factors when setting the fiscal year budget, tax rates and fees that will be charged for services. One of these factors is the uncertainty of State revenue sharing cuts as well as other changes in State government which will affect the way programs and services are provided and funded. The economy in the Schoolcraft County area is expected to experience a rise in unemployment. The cost of living in the Schoolcraft County area is below the national and State average, and real estate values are anticipated to decline in the short-term. The growth of other costs continue to rise at the national inflation rate or lower, with the exception of health care costs which continue to be a concern for the County and local employers. These factors were taken into account when adopting the 2009 budget.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers and customers, as well as investors and creditors with a general overview of the County's finances and to show the County's accountability for the revenues it receives. If you have questions about this report or need additional information, contact the County Treasurer at the Schoolcraft County Courthouse, 300 Walnut Street, Room #169, Manistique, Michigan 49854.

COUNTY OF SCHOOLCRAFT, MICHIGAN

STATEMENT OF NET ASSETS

September 30, 2008

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents			
Restricted	\$ 298,369	\$ 104,232	\$ 402,601
Unrestricted	2,172,142	1,173,471	3,345,613
Investments	-	-	-
Receivables:			
Accounts	8,138	44,033	52,171
State of Michigan	162,970	95,401	258,371
Current/delinquent taxes	212,386	-	212,386
Interest	5,196	247	5,443
Due from other governmental units	166,672	-	166,672
Internal balances	-	603,774	603,774
Prepays	32,127	6,144	38,271
Unamortized discount on bonds	-	-	-
Inventory	-	-	-
Total current assets	<u>3,058,000</u>	<u>2,027,302</u>	<u>5,085,302</u>
Noncurrent assets:			
Investments/assets limited to use	-	-	-
Delinquent taxes	-	379,788	379,788
Accrued interest on delinquent taxes	-	34,315	34,315
Capital assets, net of accumulated depreciation	1,305,700	1,836,984	3,142,684
Other assets	-	-	-
Total noncurrent assets	<u>1,305,700</u>	<u>2,251,087</u>	<u>3,556,787</u>
Total assets	<u>\$ 4,363,700</u>	<u>\$ 4,278,389</u>	<u>\$ 8,642,089</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 112,175	\$ 69,123	\$ 181,298
Accrued payroll	98,711	20,420	119,131
Accrued interest	17,216	-	17,216
Due to other governmental units	15,773	-	15,773
Other liabilities	22,063	28,911	50,974
Internal balances	543,381	39,772	583,153
Long-term liabilities due within one year:			
Compensated absences	43,503	-	43,503
Bonds/loans payable	244,000	-	244,000
Total current liabilities	<u>1,096,822</u>	<u>158,226</u>	<u>1,255,048</u>
Long-term liabilities:			
Compensated absences	130,507	-	130,507
Bonds/loans payable	1,685,938	-	1,685,938
Total long-term liabilities	<u>1,816,445</u>	<u>-</u>	<u>1,816,445</u>
Total liabilities	<u>2,913,267</u>	<u>158,226</u>	<u>3,071,493</u>
NET ASSETS			
Invested in capital assets, net of related debt	480,762	1,836,984	2,317,746
Restricted	-	27,390	27,390
Restricted for expendable:			
Special revenue	1,033,694	-	1,033,694
Debt service	196,826	-	196,826
Unrestricted	(260,849)	2,255,789	1,994,940
Total net assets	<u>1,450,433</u>	<u>4,120,163</u>	<u>5,570,596</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,363,700</u>	<u>\$ 4,278,389</u>	<u>\$ 8,642,089</u>

See accompanying notes to financial statements

Road Commission	Component Units			
	Housing Commission	Economic Development Corporation	Schoolcraft Memorial Hospital	Medical Care Facility
\$ -	\$ 22,240	\$ 39,312	\$ -	\$ 256,509
551,223	107,908	17,712	269,885	1,771,317
-	94,956	-	-	-
22,367	2,158	-	2,014,217	772,630
350,133	-	5,399	-	-
-	-	-	-	-
-	-	-	-	-
556,810	-	-	-	-
-	-	-	-	-
33,235	15,828	-	256,643	28,805
22,800	-	-	-	-
442,181	-	-	284,789	-
1,978,749	243,090	62,423	2,825,534	2,829,261
-	-	-	2,273,200	-
-	-	-	-	-
-	-	-	-	-
8,096,290	1,330,354	-	7,322,455	3,503,842
-	-	-	99,948	-
8,096,290	1,330,354	-	9,695,603	3,503,842
\$ 10,075,039	\$ 1,573,444	\$ 62,423	\$ 12,521,137	\$ 6,333,103
\$ 26,748	\$ 8,209	\$ -	\$ 671,369	\$ 104,490
74,759	-	2,578	-	98,748
-	-	-	-	-
-	-	-	1,156,530	15,000
423,073	45,727	-	2,036,204	10,389
-	-	-	-	-
67,553	-	1,873	-	195,622
90,750	-	-	868,571	-
682,883	53,936	4,451	4,732,674	424,249
202,659	13,179	-	-	-
1,747,250	-	-	1,939,864	-
1,949,909	13,179	-	1,939,864	-
2,632,792	67,115	4,451	6,672,538	424,249
6,258,290	1,330,354	-	-	3,503,842
1,183,957	22,240.00	-	82,193	-
-	-	-	-	-
-	-	-	-	-
-	153,735	57,972	5,766,406	2,405,012
7,442,247	1,506,329	57,972	5,848,599	5,908,854
\$ 10,075,039	\$ 1,573,444	\$ 62,423	\$ 12,521,137	\$ 6,333,103

See accompanying notes to financial statements

COUNTY OF SCHOOLCRAFT, MICHIGAN
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2008

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Primary Government			
				Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
Legislative	\$ 75,127	\$ -	\$ -	\$ -	\$ (75,127)	\$ -	\$ -
Judicial system	1,088,481	187,771	341,626	-	(559,084)	-	(559,084)
General government	1,139,570	671,234	83,420	-	(384,916)	-	(384,916)
Public safety	988,809	34,418	198,666	-	(755,725)	-	(755,725)
Health and welfare	741,263	15,187	292,361	-	(433,715)	-	(433,715)
Recreation and culture	4,876	3,102	-	-	(1,774)	-	(1,774)
Other	345,599	13,445	79,953	-	(252,201)	-	(252,201)
Interest on long-term debt	81,708	-	-	-	(81,708)	-	(81,708)
Total governmental activities	4,465,433	925,157	996,026	-	(2,544,250)	-	(2,544,250)
Business-type activities:							
Delinquent tax revolving/tax collections	28,408	39,150	102,926	-	-	113,668	-
Jail commissary	4,827	4,449	-	-	-	(378)	-
Building inspection	67,219	11,485	2,680	-	-	(53,054)	-
Building maintenance	1,194	-	-	-	-	(1,194)	-
Airport	176,878	63,535	2,663	-	-	(110,680)	-
Public transit	648,181	126,385	294,979	192,172	-	(34,645)	-
Total business-type activities	926,707	245,004	403,248	192,172	-	(86,283)	-
Total primary government	5,392,140	1,170,161	1,399,274	192,172	(2,544,250)	(86,283)	(2,630,533)
Component units:							
Road Commission	3,738,463	1,456,950	1,799,204	769,600	-	-	287,291
Housing Commission	560,164	164,619	224,436	22,888	-	-	(148,221)
Economic Development Corporation	133,108	-	64,714	62,539	-	-	(5,855)
Schoolcraft Memorial Hospital	20,881,273	21,238,794	-	-	-	-	357,521
Medical Care Facility	7,078,997	6,529,708	832,705	-	-	-	283,416
Total component units	\$ 32,392,005	\$ 29,390,071	\$ 2,921,059	\$ 855,027	-	-	774,152
General revenues:							
Property taxes, levied for general purposes					219,189	147,493	366,682
Property taxes, levied for debt service					2,396,724	-	2,396,724
Unrestricted investment earnings					76,590	38,577	115,167
Miscellaneous					-	740	740
Loss on sale of fixed assets					-	900	900
Transfers					(54,107)	15,017	(39,090)
Total general revenues and transfers					2,638,396	202,727	2,841,123
Change in net assets					94,146	116,444	1,041,247
Net assets, beginning					1,356,287	4,003,719	19,722,754
Net assets, ending					\$ 1,450,433	\$ 4,120,163	\$ 20,764,001

See accompanying notes to financial statements

COUNTY OF SCHOOLCRAFT, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2008

	General Fund	Revenue Sharing Reserve	911 Telephone	Nonmajor Governmental Funds
ASSETS				
Cash and equivalents:				
Restricted	\$ 101,436	\$ -	\$ 157,322	\$ 30,220
Unrestricted	393,522	631,908	350,521	783,828
Receivables:				
State of Michigan	42,774	-	29,988	90,208
Delinquent property taxes	212,386	-	-	-
Accounts	6,736	-	-	1,356
Accrued interest	3,800	1,105	-	291
Due from other governmental units	80,676	-	-	85,996
Due from other funds	86,147	-	-	-
Prepaid expense	30,099	-	-	1,279
	<u>\$ 957,576</u>	<u>\$ 633,013</u>	<u>\$ 537,831</u>	<u>\$ 993,178</u>
LIABILITIES				
Accounts payable	\$ 23,691	\$ -	\$ -	\$ 87,107
Due to other funds	547,487	-	-	81,457
Due to other governmental units	-	-	-	15,773
Accrued payroll and related liabilities	88,470	-	783	9,458
Deferred revenue	22,063	-	-	-
	<u>681,711</u>	<u>-</u>	<u>783</u>	<u>193,795</u>
FUND BALANCES				
Reserved for:				
Prepaid items	30,099	-	-	1,279
Unreserved:				
Designated	101,436	-	157,322	30,220
Undesignated	144,330	633,013	379,726	-
Unreserved, reported as non-major:				
Special revenue funds	-	-	-	542,927
Debt service	-	-	-	213,373
Capital projects	-	-	-	11,584
	<u>275,865</u>	<u>633,013</u>	<u>537,048</u>	<u>799,383</u>
Total liabilities and fund balances	<u>\$ 957,576</u>	<u>\$ 633,013</u>	<u>\$ 537,831</u>	<u>\$ 993,178</u>

See accompanying notes to financial statements

Total
Governmental
Funds

\$ 288,978
2,159,779

162,970

212,386

8,092

5,196

166,672

86,147

31,378

\$ 3,121,598

\$ 110,798

628,944

15,773

98,711

22,063

876,289

31,378

288,978

1,157,069

542,927

213,373

11,584

2,245,309

\$ 3,121,598

See accompanying notes to financial statements

COUNTY OF SCHOOLCRAFT, MICHIGAN
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
September 30, 2008

Total fund balances for governmental funds \$ 2,245,309

Total net assets reported for governmental activities in the statement of net assets
is different because:

Capital assets used in governmental activities are not financial resources and
therefore are not reported in the funds. Those assets consist of:

Land and land improvements	73,822	
Buildings and improvements	3,279,877	
Equipment	40,651	
Vehicles	29,956	
Accumulated depreciation	<u>(2,132,581)</u>	
Total capital assets		1,291,725

The County uses internal service funds for the purpose of internally
financing various County projects and for activities related to the Service
Center. The assets and liabilities of these internal service funds are included
in the governmental activities in the statement of net assets.

34,563

Long-term liabilities applicable to the County's governmental activities are not
due and payable in the current period and accordingly are not reported as
fund liabilities. Interest on long-term debt is not accrued in governmental
funds, but rather is recognized as an expenditure when due. All liabilities,
both current and long-term, are reported in the statement of net assets.

Accrued interest on long-term debt	(17,216)	
Bonds/loans payable	(1,929,938)	
Compensated absences	<u>(174,010)</u>	<u>(2,121,164)</u>

Total net assets of governmental activities \$ 1,450,433

See accompanying notes to financial statements

COUNTY OF SCHOOLCRAFT, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2008

	General Fund	Revenue Sharing Reserve	911 Telephone	Nonmajor Governmental Funds
REVENUES:				
Taxes	\$ 2,141,403	\$ -	\$ -	\$ 474,510
Licenses and permits	7,724	-	-	-
Federal sources	155,981	-	-	253,734
State sources	170,161	-	97,216	256,500
Local sources	-	-	32,812	5,037
Charges for services	316,659	-	-	3,756
Interest and rentals	64,648	11,942	-	32,796
Other	564,890	-	-	23,917
Total revenues	3,421,466	11,942	130,028	1,050,250
EXPENDITURES:				
Legislative	72,821	-	-	-
Judicial system	907,360	-	-	138,871
General government	1,097,517	-	-	-
Public safety	800,375	-	96,112	82,529
Health and welfare	58,364	-	-	643,220
Recreation and cultural	-	-	-	4,876
Capital outlay	-	-	-	619
Debt service:				
Principal	15,199	-	-	232,000
Interest	50	-	-	83,866
Other	252,423	-	-	93,176
Total expenditures	3,204,109	-	96,112	1,279,157
Excess revenues (expenditures)	217,357	11,942	33,916	(228,907)
OTHER FINANCING SOURCES (USES):				
Transfer in	277,866	-	-	351,935
Transfer out	(482,698)	(172,038)	-	(29,172)
Total other financing sources (uses)	(204,832)	(172,038)	-	322,763
Net change in fund balance	12,525	(160,096)	33,916	93,856
Fund balances - beginning of year	263,340	793,109	503,132	705,527
Fund balances - end of year	\$ 275,865	\$ 633,013	\$ 537,048	\$ 799,383

See accompanying notes to financial statements

Total
Governmental
Funds

\$ 2,615,913
7,724
409,715
523,877
37,849
320,415
109,386
588,807

4,613,686

72,821
1,046,231
1,097,517
979,016
701,584
4,876
619

247,199

83,916

345,599

4,579,378

34,308

629,801

(683,908)

(54,107)

(19,799)

2,265,108

\$ 2,245,309

See accompanying notes to financial statements

SCHOOLCRAFT COUNTY, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2008

Net changes in fund balances - total governmental funds	\$ (19,799)
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The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$99,612) exceeded capital capital outlay \$0.	(99,612)
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Internal service funds are used by management to account for activities related to services provided between funds of the County. The net revenue (expense) of the internal service funds is reported with governmental activities.	(15,060)
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments exceeded proceeds.	247,199
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Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the following net changes:

Compensated absences	(20,790)	
Accrued interest on bonds	2,208	(18,582)
Changes in net assets of governmental activities	\$ 94,146	

See accompanying notes to financial statements

COUNTY OF SCHOOLCRAFT, MICHIGAN
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
September 30, 2008

	Airport	Public Transit	Tax Revolving 2004	Tax Revolving 2007
ASSETS				
Current assets:				
Cash and cash equivalents				
Restricted	\$ 27,390	\$ -	\$ -	\$ -
Unrestricted	9,604	86,301	8,318	861,456
Receivables:				
State of Michigan	-	95,401	-	-
Accounts	3,966	35,580	170	3,186
Accrued interest	-	247	-	-
Due from other funds	-	-	539,413	52,361
Prepaid expenses	-	5,262	-	-
Total current assets	<u>40,960</u>	<u>222,791</u>	<u>547,901</u>	<u>917,003</u>
Noncurrent assets:				
Delinquent taxes	-	-	1,166	342,310
Accrued interest on delinquent taxes	-	-	11	24,392
Capital assets, net of accumulated depreciation	<u>1,211,009</u>	<u>625,975</u>	<u>-</u>	<u>-</u>
Total noncurrent assets	<u>1,211,009</u>	<u>625,975</u>	<u>1,177</u>	<u>366,702</u>
Total assets	<u>\$ 1,251,969</u>	<u>\$ 848,766</u>	<u>\$ 549,078</u>	<u>\$ 1,283,705</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 1,271	\$ 12,274	\$ 16	\$ 55,547
Accrued payroll	-	18,048	-	-
Other liabilities	-	28,911	-	-
Due to other funds	<u>39,413</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>40,684</u>	<u>59,233</u>	<u>16</u>	<u>55,547</u>
NET ASSETS				
Invested in capital assets, net of related debt	1,211,009	625,975	-	-
Restricted	27,390	-	-	-
Unrestricted	<u>(27,114)</u>	<u>163,558</u>	<u>549,062</u>	<u>1,228,158</u>
Total net assets	<u>1,211,285</u>	<u>789,533</u>	<u>549,062</u>	<u>1,228,158</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,251,969</u></u>	<u><u>\$ 848,766</u></u>	<u><u>\$ 549,078</u></u>	<u><u>\$ 1,283,705</u></u>

See accompanying notes to financial statements

Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ 76,842	\$ 104,232	\$ 9,391
207,792	1,173,471	12,363
-	95,401	-
1,131	44,033	46
-	247	-
12,000	603,774	-
882	6,144	749
<u>298,647</u>	<u>2,027,302</u>	<u>22,549</u>
36,312	379,788	-
9,912	34,315	-
-	1,836,984	13,975
<u>46,224</u>	<u>2,251,087</u>	<u>13,975</u>
<u>\$ 344,871</u>	<u>\$ 4,278,389</u>	<u>\$ 36,524</u>
\$ 15	\$ 69,123	\$ 1,377
2,372	20,420	-
-	28,911	-
<u>359</u>	<u>39,772</u>	<u>584</u>
<u>2,746</u>	<u>158,226</u>	<u>\$ 1,961</u>
-	1,836,984	13,975
-	27,390	-
<u>342,125</u>	<u>2,255,789</u>	<u>20,588</u>
<u>342,125</u>	<u>4,120,163</u>	<u>34,563</u>
<u>\$ 344,871</u>	<u>\$ 4,278,389</u>	<u>\$ 36,524</u>

See accompanying notes to financial statements

COUNTY OF SCHOOLCRAFT, MICHIGAN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
For the Year Ended September 30, 2008

	Airport	Public Transit	Tax Revolving 2004	Tax Revolving 2007
OPERATING REVENUES:				
State sources	\$ 2,368	\$ -	\$ -	\$ -
Charges for services	63,535	126,385	-	-
Interest and rentals	-	-	512	40,215
Other	295	-	64	16,823
Total operating revenue	66,198	126,385	576	57,038
OPERATING EXPENSES:				
Salaries and fringes	580	450,212	-	-
Administrative fees	-	-	-	995
Contracted services	29,817	23,751	-	-
Repairs and maintenance	7,696	103,825	-	-
Depreciation	79,431	60,344	-	-
Other	59,354	10,049	-	582
Total operating expenses	176,878	648,181	-	1,577
Operating income (loss)	(110,680)	(521,796)	576	55,461
NONOPERATING REVENUES (EXPENSES):				
Millage and taxes	-	147,493	-	-
Loss on sale of fixed assets	-	900	-	-
Other	-	740	-	-
Interest income	-	2,581	243	24,510
Total nonoperating revenues (expenses)	-	151,714	243	24,510
Income (loss) before transfers and contributions	(110,680)	(370,082)	819	79,971
Capital/grant contributions	-	487,151	-	-
Transfer in	42,471	-	-	1,148,187
Transfer out	-	-	-	-
Change in net assets	(68,209)	117,069	819	1,228,158
Total net assets - beginning	1,279,494	672,464	548,243	-
Total net assets - ending	\$ 1,211,285	\$ 789,533	\$ 549,062	\$ 1,228,158

See accompanying notes to financial statements

Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ 2,680	\$ 5,048	\$ -
55,012	244,932	4,878
22,697	63,424	-
22,687	39,869	2,122
103,076	353,273	\$ 7,000
63,924	514,716	-
-	995	50,895
18,283	71,851	-
-	111,521	-
-	139,775	10,255
17,864	87,849	-
100,071	926,707	61,150
3,005	(573,434)	(54,150)
-	147,493	-
-	900	-
-	740	-
11,243	38,577	-
11,243	187,710	-
14,248	(385,724)	(54,150)
-	487,151	-
49,202	1,239,860	39,090
(1,224,843)	(1,224,843)	-
(1,161,393)	116,444	(15,060)
1,503,518	4,003,719	49,623
\$ 342,125	\$ 4,120,163	\$ 34,563

See accompanying notes to financial statements

COUNTY OF SCHOOLCRAFT, MICHIGAN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2008

	Airport	Public Transit	Tax Revolving 2004	Tax Revolving 2007	Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers	\$ 59,896	\$ 106,270	\$ -	\$ -	\$ 54,872
Receipts from interest and rents	-	-	331	15,823	48,805
Cash received for collection of taxes	-	-	1,604	481,980	339,178
Cash receipts (payments) for interfund services	-	-	-	2,191	30,471
Payments to suppliers	(44,165)	(132,023)	-	-	(18,299)
Payments for wages and related benefits	(580)	(447,645)	-	-	(63,389)
Cash payments for taxes	-	-	-	(824,290)	-
Other receipts (payments)	(56,691)	-	64	13,055	(17,663)
Net cash provided (used) by operating activities	(41,540)	(473,398)	1,999	(311,241)	\$ 373,975
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Grants received	-	275,256	-	-	-
Tax levy received	-	147,493	-	-	-
Operating transfer in	42,471	-	-	1,148,187	49,202
Operating transfer out	-	-	-	-	(1,224,843)
Net cash provided (used) by noncapital financing activities	42,471	422,749	-	1,148,187	(1,175,641)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Purchase of fixed assets	(14,270)	(200,332)	-	-	-
Capital contributions	-	192,172	-	-	-
Net cash provided (used) by capital and related financing activities	(14,270)	(8,160)	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest earnings	-	2,797	243	24,510	11,243
Net increase (decrease) in cash and equivalents	(13,339)	(56,012)	2,242	861,456	(790,423)
Cash and equivalents, beginning of year	50,333	142,313	6,076	-	1,075,057
Cash and equivalents, end of year	\$ 36,994	\$ 86,301	\$ 8,318	\$ 861,456	\$ 284,634
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$ (110,680)	\$ (521,796)	\$ 576	\$ 55,461	\$ 3,005
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation expense	79,431	60,344	-	-	370,250
Changes in assets and liabilities:					
(Increase) decrease in receivables	(3,639)	(20,115)	1,423	(369,888)	-
(Increase) decrease in prepaid expenses	-	(150)	-	-	-
(Increase) decrease in due from other funds	-	-	-	(52,361)	(25)
Increase (decrease) in accounts payable	(6,652)	5,751	-	55,547	(149)
Increase (decrease) in accrued payroll	-	2,568	-	-	535
Increase (decrease) in due to other funds	-	-	-	-	359
Total adjustments	69,140	48,398	1,423	(366,702)	370,970
Net cash provided by operating activities	\$ (41,540)	\$ (473,398)	\$ 1,999	\$ (311,241)	\$ 373,975

See accompanying notes to financial statements

Total Enterprise Funds	Internal Service Funds
\$ 221,038	\$ -
64,959	-
822,762	-
32,662	7,028
(194,487)	(46,560)
(511,614)	-
(824,290)	-
(61,235)	-
<u>\$ (450,205)</u>	<u>\$ (39,532)</u>

275,256	-
147,493	-
1,239,860	39,090
(1,224,843)	-

<u>437,766</u>	<u>39,090</u>
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(214,602)	-
<u>192,172</u>	<u>-</u>

<u>(22,430)</u>	<u>-</u>
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<u>38,793</u>	<u>-</u>
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3,924	(442)
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<u>1,273,779</u>	<u>22,196</u>
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<u>\$ 1,277,703</u>	<u>\$ 21,754</u>
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<u>\$ (573,434)</u>	<u>\$ (54,150)</u>
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510,025	10,255
(392,219)	28
(150)	3,796
(52,386)	-
54,497	(45)
3,103	-
359	584

<u>123,229</u>	<u>14,618</u>
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<u>\$ (450,205)</u>	<u>\$ (39,532)</u>
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See accompanying notes to financial statements

COUNTY OF SCHOOLCRAFT, MICHIGAN
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
September 30, 2008

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents:	
Unrestricted	\$ 265,049
Receivables:	
Due from other governmental units	29,077
Other assets	<u>1,764</u>
Total assets	<u><u>\$ 295,890</u></u>
LIABILITIES	
Accounts Payable	\$ 16,090
Due to other funds	20,621
Due to other units governmental units	1,197
Undistributed taxes	126,682
Other liabilities	<u>131,300</u>
Total liabilities	<u><u>\$ 295,890</u></u>

See accompanying notes to financial statements

COUNTY OF SCHOOLCRAFT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Background – The County of Schoolcraft was organized under the Michigan Constitution. The County is operated under a Commission form of government and provides services in the following functional areas: legislative, courts, public records, public roads, management, building operation and expense, human services, resource management and development, law enforcement, and health services.

The financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The financial statements have been prepared in accordance with GASB Statement 34, *Basic Financial Statements and Management's Discussion and Analysis*. GASB 34 significantly changes financial reporting for governmental agencies by adding government-wide financial statements, management's discussion and analysis and reporting on infrastructure.

Reporting Entity - For financial reporting purposes, in conformance with GASB Statement 14, as amended by GASB 39, Schoolcraft County (the primary government) includes all funds, account groups, agencies, boards, commissions, other component units, and authorities that are controlled by or dependent on the County's legislative branch, the County Commission. Control by or dependence is determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the County, obligation of the County to finance any deficits that may occur, or receipt of significant subsidies from the County. In addition, State of Michigan - Department of Treasury pronouncements were considered in the determination process. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Component Units - In conformity with generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or as discretely presented component units.

Blended Component Units - The County has three component units for which the financial data has been blended with the primary government financial statements.

Schoolcraft County Building Authority – The Schoolcraft County Building Authority is governed by a board of six members, which have been appointed by the County's Board of Commissioners. For financial reporting purposes, the Building Authority is reported as the County Building Retirement fund and is included as part of the County's operations because its purpose is to finance the construction of the County Building

Schoolcraft County Public Transit – The Public Transit is governed by a six-member board, which is appointed by the County's Board of Commissioners and includes two County Commissioners. The Transit provides transportation services for the residents of Schoolcraft County. The Transit may not issue debt or levy taxes without the County's approval. The fiscal year for the Transit is October 1 through September 30.

COUNTY OF SCHOOLCRAFT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Commission on Aging – The Commission on Aging is governed by a board, which has been appointed by the County's Board of Commissioners. The Commission on Aging provides services to the residents of Schoolcraft County and therefore is included as part of the primary government.

Discretely presented component unit - The component unit columns in the combined financial statements include the financial data of the Schoolcraft County Medical Care Facility, Schoolcraft County Housing Commission, Schoolcraft County Road Commission, Schoolcraft Memorial Hospital, and the Economic Development Corporation (EDC). The component units are reported in a separate column to emphasize that they are legally separate from the County.

Schoolcraft County Medical Care Facility – The facility is governed by the Schoolcraft County Department of Human Services Board which consists of three members, two of whom are appointed by the Schoolcraft County Board of Commissioners and one appointed by the Michigan Governor. The Medical Care Facility may not issue debt or levy property taxes without the County's approval.

Schoolcraft County Medical Care Facility
520 Main Street
Manistique, Michigan 49854

Schoolcraft County Housing Commission – The Schoolcraft County Housing Commission was formed by the Schoolcraft County Board under Public Act 18 of 1933 of the State of Michigan. The Commission operates under a Board of Commissioners appointed by the County. The Housing Commission's most current audit report is included within the financial statements of Schoolcraft County with a fiscal year ending March 31, 2008. Additional financial information of the Housing Commission may be obtained directly from their administrative offices.

Schoolcraft County Housing Commission
900 Steuben
Manistique, Michigan 49854

Schoolcraft County Road Commission - The citizenry in a general, popular election elects the members of the governing board of the Road Commission. The Road Commission provides the citizens of Schoolcraft County road service and maintenance. The Road Commission may not issue debt or levy a tax without the County Board of Commissioners approval. Complete financial statements of the Road Commission can be obtained directly from their administrative office.

Schoolcraft County Road Commission
P.O. Box 160
Manistique, Michigan 49854

COUNTY OF SCHOOLCRAFT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Schoolcraft Memorial Hospital – The Schoolcraft Memorial Hospital was organized under Public Act 230 of the Public Acts of 1987 and is a county hospital corporation that operates a 25-bed acute care facility. The Hospital provides comprehensive inpatient, outpatient, emergency, medical, and home health services. The Hospital's most current audit report is included within the financial statements of Schoolcraft County with a fiscal year ending December 31, 2007. Additional financial information of the Hospital may be obtained directly from their administrative offices.

Schoolcraft Memorial Hospital
500 Main Street
Manistique, Michigan 49854

Schoolcraft County Economic Development Corporation (EDC) – The EDC was incorporated on March 12, 1982 by Schoolcraft County under the provisions of Act No. 338 of the Public Acts of 1974, as amended, for the purpose of preventing conditions of unemployment and to assist commercial enterprise in order to strengthen and revitalize the economy of Schoolcraft County. The EDC received an appropriation of \$10,000 from Schoolcraft County. Additional financial information of the corporation may be obtained directly from their administrative offices.

Schoolcraft County Economic Development Corporation
300 Walnut Street
Manistique, Michigan 49854

Related Organization - The LMAS Health Department is a district health department covering the counties of Luce, Mackinac, Alger and Schoolcraft. The Board consists of eight members, with two members being appointed by each County. All financial operations of the Health Department are recorded in the books of Luce County. Each County makes an annual appropriation, which is given at the discretion of each County Board. Schoolcraft County's appropriation to the Health Department for the calendar year was \$10,000. There is no funding formula adopted by the member counties. A copy of the audit report may be acquired from the following:

LMAS District Health Department
Hamilton Lake Road
Newberry, Michigan 49868

Accounting Policies - The accounting policies of the County of Schoolcraft conform to accounting principles generally accepted in the United States of America as applicable to state and local governments. The following is a summary of the more significant policies:

COUNTY OF SCHOOLCRAFT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Accounting - The accounts of the County are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide and fund financial statements -- The government-wide financial statements include a Statement of Net Assets and a Statement of Activities which report the information on all non-fiduciary activities of the primary government and its component units. Most of the effects of interfund activity have been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely primarily on user fees and charges for service. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identified with a specific function or segment. Program revenues include 1) charges for services to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a specific function or segment and 2) operating grants and contributions that are restricted to meeting the operating or capital requirements of a particular function or segment and 3) other revenues that are by definition related to the cost of providing a specific function or segment. Taxes and other items not specific to particular functions or segments are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting and financial statement presentation -- The government-wide financial statements use the economic resources measurement focus and full accrual basis of accounting which also include the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectable within the current period or soon thereafter to be used to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within sixty days of the end of the current fiscal period.

COUNTY OF SCHOOLCRAFT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements are recorded only when the payment is due.

Property taxes, licenses, interest revenue and charges for services are considered susceptible to accrual and have been recognized as revenues in the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The County reports the following as major governmental funds:

General Fund – The General Fund is the County’s primary operating fund. It accounts for all the financial resources of the general government, except those required to be accounted for in another fund.

Revenue Sharing Reserve Fund – Public Act 357 of 2004 provides a funding mechanism to serve as a substitute to county revenue payments. This substitute funding mechanism involves the gradual shift of county property tax millage from a winter tax levy to a summer tax levy and additionally, required the establishment of a restricted fund known as the Revenue Sharing Reserve Fund.

911 Telephone Fund – The 911 Telephone Fund accounts for the activities of the 911 system for Schoolcraft County.

The County reports the following as major proprietary funds:

Public Transit – The Transit fund accounts for the activities relating to the operation of the public bus transportation system.

Airport – The Airport fund accounts for the activities relating to the operation of a county airport, which is utilized by commercial and private air carriers.

Tax Revolving 2004 and 2007 – These funds account for the purchase and subsequent collection of delinquent real property taxes from the various taxing units throughout the county.

Additionally, the County reports the following fund types:

Internal service funds - These funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the County, or to other governmental entities, on a cost reimbursement basis.

COUNTY OF SCHOOLCRAFT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Agency funds – Agency funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities enterprise funds, subject to the same limitation. The County has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the governmental-wide financial statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Transit and Airport enterprise funds are charges to customers for sales and services, and the principal operating revenues of the Tax Revolving 2004 and Tax Revolving 2007 funds are interest and fees collected on delinquent property taxes. The County's internal service funds primarily recognize rental income as operating revenue related to renting space in county owned buildings to other governmental entities. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets and Budgetary Accounting - The County utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- a. In mid-year a proposed operating budget for the fiscal year commencing the following October 1st is submitted to the County Board of Commissioners. The operating budget includes proposed expenditures and the means of financing them.
- b. Numerous opportunities exist for public comment during the budget process including at least one formal public hearing conducted at the Courthouse to obtain taxpayer comment.
- c. Pursuant to statute, prior to commencement of a year, the budget for the ensuing year is legally enacted through adoption by the County Board of Commissioners.
- d. The general statute governing County budgetary activity is the Uniform Budgeting and Accounting Act.

COUNTY OF SCHOOLCRAFT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- e. The County of Schoolcraft adopts its Annual Budget on a line item basis. The budget structure consists of levels of detail as follows:

Resources (revenues)
General appropriations and functional groups
Departmental appropriations

At each level of detail, governmental operations are summarized into revenue or expenditure account groups. Budgetary control exists at the level adopted by the Board of Commissioners. Accounting, i. e. classification control, resides at the line item detail level.

- f. Budgets are adopted on a basis consistent with the accounting principles followed in the recording of transactions. Budgeted amounts reflected in the financial statements are as originally adopted and subsequently amended by the County Board of Commissioners.
- g. Budgets of certain funds reflect utilization of a portion of beginning fund balance. Only the appropriated beginning fund balance amount is reflected in the budgets under the caption "Fund balance, beginning of year."
- h. Budgets have been amended during 2008. All budget amendments are presented to the Finance Committee. In September, the Board of Commissioners approved all amendments to the annual budget.

Cash Equivalents - For the purpose of the statement of cash flows, the County considers all highly liquid investments with maturities of less than three months as cash equivalents.

Investments - Investments are carried at market with all dividends being reinvested.

Receivables - All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The County has not recorded an allowance for uncollectible accounts, as the County does not anticipate that amount to be material.

Interfund Receivables and Payables - During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" on the balance sheet.

Inventory - Inventory is accounted for under the consumption method for the reporting entity with the exception of the Schoolcraft County Road Commission, which is priced at cost as determined on the average unit cost method.

COUNTY OF SCHOOLCRAFT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxes Receivable – The County of Schoolcraft property tax is levied on each December 1st and July 1st on the taxable valuation of property (as defined by State statutes) located in the County of Schoolcraft as of the preceding December 31st and July 1st.

Although the County of Schoolcraft 2007 ad valorem tax is levied and collectible on December 1, 2006, and 2008 ad valorem is levied and collectible on July 1, 2008, it is the County of Schoolcraft's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be paid from the delinquent tax revolving funds within one year.

Capital Assets – Capital assets, which include property, buildings, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial individual cost of more than \$5,000 and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the County, as well as its component units, are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Land improvements	5 - 25
Buildings and improvements	5 - 50
Machinery and equipment	3 - 20
Vehicles	3 - 5
Infrastructure	8 - 50

Compensated Absences – Compensated absences (unpaid vacation and sick leave) for governmental fund and similar component unit employees are recorded as expenditures in the year paid. It is the County's policy to liquidate any unpaid vacation or sick leave at year-end from future resources rather than currently available expendable resources. Accordingly, the entire unpaid liability for compensated absences for the governmental funds and similar component units are accrued in the government-wide financial statements and the proprietary financial statements.

Long-Term Obligations – In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

COUNTY OF SCHOOLCRAFT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Equity - Under the provisions of GASB Statement No. 1, a County may establish reserves for those portions of fund equity not appropriable for expenditure or which are legally segregated for a specific future use. Fund equity designations also may be established to indicate tentative plans for financial resource utilization in a future period.

Other Financing Sources (Uses) - The transfers of cash between the various County funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing and borrowing funds, respectively.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

COUNTY OF SCHOOLCRAFT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE B – CASH & EQUIVALENTS AND INVESTMENTS

The composition of cash and equivalents, and investments as reported in the Statement of Net Assets is presented below:

	<u>Primary Government</u>	
	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash and equivalents:		
Deposits:		
Insured (FDIC)	\$ 304,419	\$ 308,948
Uninsured	3,708,844	4,820,233
Total cash	<u>\$ 4,013,263</u>	<u>\$ 5,129,181</u>
Government-Wide Statement of Net Asset Presentation:		
Cash and equivalents:		
Restricted	\$ 402,601	
Unrestricted	3,345,613	
Statement of Fiduciary Net Assets		
Cash and equivalents:		
Unrestricted	265,049	
Total cash and equivalents	<u>\$ 4,013,263</u>	
Component Units:		
Cash and equivalents:		
Road Commission	\$ 551,223	
Housing Commission	130,148	
Economic Development Corporation	57,024	
Schoolcraft Memorial Hospital	269,885	
Medical Care Facility	2,027,826	
Total cash and equivalents	<u>\$ 3,036,106</u>	
Assets limited as to use:		
Schoolcraft Memorial Hospital	\$ 1,820,660	
Investments:		
Housing Commission	94,956	
Schoolcraft Memorial Hospital	452,540	
Total assets limited as to use and investments	<u>\$ 2,368,156</u>	

COUNTY OF SCHOOLCRAFT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE B – CASH & EQUIVALENTS AND INVESTMENTS (continued)

Michigan statutes authorize the County to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposit, saving accounts, deposit accounts or receipts of a bank which is a member of the FDIC, commercial paper, bankers' acceptances of United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds.

Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

Interest Rate Risk. The County carries no significant interest rate risk as all of its holdings are in bank accounts with a high degree of liquidity.

Credit Risk. State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations with a maximum maturity of 270 days. The investments held by the County at year end are not rated.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure the County's deposits may not be returned. At September 30, 2008, the County held \$5,129,181 in certificate of deposits, along with checking and saving accounts. Of this amount, \$4,820,233 was uninsured and uncollateralized. Although such deposits exceed federally insured limits, they are in the opinion of management, subject to minimal risk.

Concentration of Credit Risk. The County has no significant concentration of credit risk due to the fact that its deposits are with area banks.

Foreign Currency Risk. The County has no foreign currency risk as it has no deposits or investments in foreign currency.

All deposits for the County are in accordance with statutory authority.

Assets Limited as to Use:

Schoolcraft Memorial Hospital – The composition of assets limited to use at December 31, 2007 consists of cash and certificate of deposits stated at fair value. These assets have been designated by the Board for funded depreciation in the amount of \$756,537, risk management for \$160,337, donor restricted for specific purposes for \$326,494 and lease payments for \$577,292 for total assets limited as to use in the amount of \$1,820,660.

COUNTY OF SCHOOLCRAFT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE B – CASH & EQUIVALENTS AND INVESTMENTS (continued)

Investments:

Schoolcraft Memorial Hospital – Investments, which are stated at fair value as of December 31, 2007, consist of certificate of deposits in the amount of \$342,274 and common stock in the amount of \$110,266.

NOTE C – RESTRICTED CASH

GOVERNMENTAL ACTIVITIES:

Total restricted cash reported within the governmental activities are \$298,369 as of September 30, 2008.

- 1 – General Fund – in the amount of \$95,413 for accrued sick and vacation, \$5,974 for phone cards and \$49 for the Prosecuting Attorney, for total restricted cash in the amount of \$101,436.
- 2 – Special Revenue Funds – have restricted cash in the amount of \$157,322 for the 911 Telephone Fund, \$707 for the Parks & Recreation Fund, \$838 for the Emergency Management Fund, \$150 for the Commission on Aging Fund, and \$67 for the Juvenile Justice Fund; for a total in the amount of \$159,084.
- 3 – Capital Projects Funds – have restricted cash in the Capital Improvement fund in the amount of \$6,512 for courthouse parking lot and the Capital Improvement – Public Safety fund in the amount of \$21,946 for repairs, jail renovation, and for the roof; for total restricted cash in the amount of \$28,458.
- 4 – Internal Service Funds – have restricted cash in the Computer Fund in the amount of \$2,505 for computer purchases, and the Motor Pool Police Vehicle Fund in the amount of \$6,886 for anticipated vehicle purchases; for total restricted cash in the amount of \$9,391.

BUSINESS-LIKE ACTIVITIES:

Total restricted cash reported within the business-like activities are \$104,232 as of September 30, 2008.

- 1 – Enterprise Funds – have restricted cash in the Airport fund in the amount of \$27,390 for repairs, fuel tanks and runways, \$76,842 in the Foreclosure Fund, for total restricted cash in the amount of \$104,232.

COUNTY OF SCHOOLCRAFT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE D – INTERFUND RECEIVABLES AND PAYABLES

Individual interfund receivable and payable balances at September 30, 2008 represent short-term borrowings for operating purposes between funds and are summarized as follows:

Fund	Interfund Receivable	Fund	Interfund Payable
		County/City Belt & Alcohol	\$ 1,329
		DEQ Coastal Zone Management	1,280
		Sheriff Road Patrol	9,885
		Probate Child Care	2,491
		Survey & Remonumentation	44,668
		Community Corrections Public Act	3,988
		O.R.V. Law Enforcement Grant	820
		County/City Youth Alcohol Grant	122
		General Trust & Agency	2,000
		Payroll Trust & Agency	18,621
		Building Inspection Department	359
		Postage Meter	584
General Fund	\$ 86,147		86,147
		General Fund	47,487
		Commission on Aging	3,243
		County Building Retirement	1,631
DTRF 2007	52,361		52,361
		General Fund	500,000
		Airport	39,413
DTRF 2004	539,413		539,413
DTRF 2003	12,000	Snowmobile Enforcement Grant	12,000
Total	\$ 689,921	Total	\$ 689,921
Financial Statement Presentation:			
		Governmental Funds	\$ 628,944
Governmental Funds	\$ 86,147	Enterprise Funds	39,772
Enterprise Funds	603,774	Internal Service Funds	584
		Fiduciary Funds	20,621
Total	\$ 689,921		\$ 689,921

COUNTY OF SCHOOLCRAFT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE E – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2008 was as follows:

Buildings and improvements	3,279,877	-	-	3,279,877
Machinery and equipment	123,808	-	-	123,808
Vehicles	111,406	-	-	111,406
Total depreciable capital assets	3,515,091	-	-	3,515,091
Total capital assets	3,588,913	-	-	3,588,913
Less accumulated depreciation:				
Buildings and improvements	2,010,837	85,491	-	2,096,328
Machinery and equipment	88,388	13,509	-	101,897
Vehicles	74,121	10,867	-	84,988
Total accumulated depreciation	2,173,346	109,867	-	2,283,213
Total depreciable capital assets	1,390,990	(109,867)	-	1,231,878
Governmental activities capital assets, net	\$ 1,415,567	\$ (109,867)	\$ -	\$ 1,305,700
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 48,890	\$ -	\$ -	\$ 48,890
Capital assets being depreciated:				
Land improvements	1,220,449	23,813	-	1,244,262
Buildings and improvements	692,464	8,160	-	700,624
Machinery and equipment	67,466	23,417	12,622	78,261
Vehicles	529,947	159,844	96,886	592,905
Total depreciable capital assets	2,510,326	215,234	109,508	2,616,052
Total capital assets	2,559,216	215,234	109,508	2,664,942
Less accumulated depreciation:				
Land improvements	158,972	48,818	-	207,790
Buildings and improvements	248,726	3,402	-	252,128
Machinery and equipment	5,100	550	-	5,650
Vehicles	43,302	26,661	-	69,963
Transit assets	341,859	60,344	109,776	292,427
Total accumulated depreciation	797,959	139,775	109,776	827,958
Net depreciable capital assets	1,712,367	75,459	(268)	1,788,094
Business-type activities capital assets, net	\$ 1,761,257	\$ 75,459	\$ (268)	\$ 1,836,984

COUNTY OF SCHOOLCRAFT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE E – CAPITAL ASSETS (continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Legislative	\$ 2,306
Judicial system	35,320
General government	29,699
Public safety	2,863
Health and welfare	39,679
Total governmental activities	
depreciation expense	<u>\$ 109,867</u>
Business-type activities:	
Airport	\$ 79,431
Transit	60,344
Total business-type activities	
depreciation expense	<u>\$ 139,775</u>

COUNTY OF SCHOOLCRAFT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE F - ROAD COMMISSION CAPITAL ASSETS

The following is a summary of changes in capital assets of the Road Commission:

	Balance at 10/01/07	Additions	Disposals	Balance at 09/30/08
Capital assets not being depreciated:				
Land	\$ 46,065	\$ 198,000	\$ -	\$ 244,065
Infrastructure - Land improvements	1,052,671	219,599	-	1,272,270
Subtotal	1,098,736	417,599	-	1,516,335
Capital assets being depreciated:				
Land improvements	50,519	-	-	50,519
Buildings	3,465,028	9,491	-	3,474,519
Road equipment	3,935,196	197,462	25,538	4,107,120
Shop equipment	121,573	29,303	-	150,876
Office equipment	33,838	-	-	33,838
Engineers' equipment	16,865	-	-	16,865
Depletable assets	69,508	-	-	69,508
Infrastructure - Bridges	28,031	-	-	28,031
Infrastructure - Roads	4,568,127	560,051	-	5,128,178
Total capital assets	12,288,685	796,307	25,538	13,059,454
Less accumulated depreciation:				
Land improvements	13,471	3,367	-	16,838
Buildings	793,859	99,096	-	892,955
Road equipment	3,691,581	172,210	19,547	3,844,244
Shop equipment	93,321	7,172	-	100,493
Office equipment	22,601	2,604	-	25,205
Engineers' equipment	16,563	302	-	16,865
Depletable assets	22,403	-	-	22,403
Infrastructure - Bridges	11,680	2,336	-	14,016
Infrastructure - Roads	1,168,288	378,192	-	1,546,480
Total accumulated depreciation	5,833,767	665,279	19,547	6,479,499
Net capital assets being depreciated	6,454,918	796,307	671,270	6,579,955
Capital assets, net	\$ 7,553,654	\$ 1,213,906	\$ 671,270	\$ 8,096,290

The Road Commission has elected to prospectively report infrastructure assets, rather than retroactively report on infrastructure, as permitted by GASB Statement 34.

COUNTY OF SCHOOLCRAFT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE G – SCHOOLCRAFT MEMORIAL HOSPITAL CAPITAL ASSETS

A summary of capital assets as of December 31, 2007 for the Schoolcraft Memorial Hospital:

Capital assets:

Land and land improvements	\$ 43,706
Buildings and improvements	6,000,936
Major movable equipment	6,784,788
Construction in progress	<u>2,733,257</u>

Total capital assets 15,562,687

Less accumulated depreciation 8,240,232

Capital assets, net \$ 7,322,455

NOTE H – MEDICAL CARE FACILITY CAPITAL ASSETS

A summary of capital assets as of September 30, 2008 for the Schoolcraft County Medical Care Facility:

Capital assets:

Land	\$ 37,666
Building	5,506,298
Furniture, fixtures and equipment	<u>862,527</u>

Total capital assets 6,406,491

Accumulated depreciation:

Land improvements	37,666
Building	2,265,572
Furniture, fixtures and equipment	<u>599,411</u>

Total accumulated depreciation 2,902,649

Capital assets, net \$ 3,503,842

COUNTY OF SCHOOLCRAFT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE I – LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended September 30, 2008:

Type of Debt	Balance 10/1/2007	Additions	Deductions	Balance 9/30/2008	Amounts Due Within One Year
Governmental activities:					
Building Authority bonds:					
FIA Expansion	\$ 726,938	\$ -	\$ 37,000	\$ 689,938	\$ 39,000
Courthouse Construction	220,000	-	85,000	135,000	85,000
2004 Medical Care Facility					
General Obligation Unlimited					
Tax Refunding Bonds	1,215,000	-	110,000	1,105,000	120,000
Northern Lights Revolving Loan	15,199	-	15,199	-	-
Compensated absences	153,220	20,790	-	174,010	
Total governmental activities					
long-term debt	<u>\$ 2,330,357</u>	<u>\$ 20,790</u>	<u>\$ 247,199</u>	<u>\$ 2,103,948</u>	<u>\$ 244,000</u>

Debt service requirements on long-term debt at September 30, 2008 are as follows:

For the Year Ending September 30,	Governmental Activities	
	Bonds/Loan Payable	
	Principal	Interest
2009	\$ 244,000	\$ 74,741
2010	211,000	65,966
2011	173,000	58,672
2012	180,000	52,050
2013	198,000	45,597
2014-2018	726,000	131,637
2019-2021	197,938	6,287
Total	<u>\$ 1,929,938</u>	<u>\$ 434,950</u>

COUNTY OF SCHOOLCRAFT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE I – LONG-TERM DEBT (continued)

Governmental Activities:

FIA Expansion

The County Building Authority issued \$1,038,000 Building Authority Bonds on July 31, 1996. The bonds were issued under the provisions of Act 31 of the Public Acts of Michigan of 1948, as amended, for the purpose of acquiring, construction, furnishing and equipping an addition to the Schoolcraft County Courthouse. The bonds were issued in anticipation of and are payable solely from certain cash rental payments on amounts sufficient to pay principal of and interest on the bonds when due. The bonds were issued in denominations of \$5,000 and bear a rate not to exceed 5%.

Courthouse Construction

The County Building Authority issued \$1,900,000 Building Authority Bonds on January 1, 1977. The bonds were issued under the provisions of the Public Acts of Michigan of 1948, as amended, for the purpose of acquiring, constructing, furnishing and equipping the County Courthouse. The bonds are payable from certain cash rental payments. The bonds are full faith and credit general obligations of the County of Schoolcraft payable from advalorem taxes, if necessary, which must be levied by the County to the extent necessary to make the principal and interest payments. The bonds were issued in denominations of \$5,000 and bear an interest rate of 5%.

2004 Medical Care Facility General Obligation Unlimited Tax Refunding Bonds

The County of Schoolcraft issued \$1,345,000 General Obligation Unlimited Tax Refunding Bonds on September 1, 2004. The purpose of the bond issue is to refund the County's General Obligation Unlimited Tax Bonds, Series 1995, which was to pay part of the cost of constructing and equipping an addition to and renovating and re-equipping the Schoolcraft Medical Care Facility. The County is obligated to levy annually sufficient taxes to provide for the payment of the principal and interest on the refunding bonds of this issue as they mature. The bonds were issued in \$5,000 denominations with an interest rate from 2.0% to 3.75%.

Northern Lights Revolving Loan

The purpose of the promissory note proceeds were used for energy improvements which would lead to energy savings from the improvements sufficient to pay the loan payments of the note. The loan was entered into in December 2003 with 84 monthly installments in the amount of \$393.11 at an interest rate of 2%.

Compensated Absences:

Substantially all County employees are entitled to certain vacation and sick pay benefits that accrue and vest under various parameters, dependent upon which labor contract the employee is subject to or upon which department or fund the employee is within. Compensated absences in the amount of \$174,010 are reported under the governmental activities in the Statement of Net Assets.

COUNTY OF SCHOOLCRAFT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE I – LONG-TERM DEBT (continued)

Details of the various plans are as follows:

County General – Sick leave is earned at the rate of one hour for every twenty-one hours worked. It can be accumulated up to a maximum of 960 hours. Upon death, or retirement, an employee shall be paid on half of accumulated sick leave. Vacation pay is earned, after one year of employment, based on the employee's employment anniversary date and years of service.

NOTE J - ROAD COMMISSION LONG-TERM DEBT

Bonds Payable:

Michigan Transportation Fund Bonds, Series 2002 – In July 2002, the County of Schoolcraft approved a Schoolcraft County Road Commission Michigan Transportation Fund Bond Issue for the purpose of constructing road commission buildings. The issue was for \$2,000,000 and requires annual principal payments each August 1st and semi-annual interest payments each February 1st and August 1st and has a variable interest rate ranging from 2% to 4.85%.

Notes Payable:

Wells Fargo Bank 2003 – In 2003, the Road Commission financed the purchase of road equipment in the amount of \$504,647. The note calls for five annual payments of \$112,316 on each June 30th, bears an interest rate of 3.95% and is secured by the equipment.

Installment Purchase:

In 2008, the Road Commission entered into a land installment purchase agreement in the amount of \$148,000 to purchase the Graves property for \$198,000, requiring an initial \$50,000 down payment. The agreement calls for principal payments due on each February 21st of 2009-2012 in the amount of \$35,750, and 2018 in the amount of \$5,000.

Compensated Absences:

Road commission employment policies provide for vacation benefits to be earned in varying amounts depending on the number of years of service of the employee. Benefits earned by each employee in the current calendar year are to be paid to the employee in the subsequent calendar year, and are permitted to accumulate up to a maximum of 2 years of vacation benefits. Sick leave benefits are earned at the rate of 1 day for each calendar month in which the employee has worked at least 12 days and shall be accumulated up to 105 days. Upon reaching the maximum 105 days of sick leave, an additional 2 days per year will be granted for each year of agreement. Maximum sick days will be 111. Upon retirement or death, an employee, or their estate, shall be paid for 100% of accumulated sick leave. The total vacation and sick leave amount of \$270,212 is recorded in the statement of net assets as a liability.

COUNTY OF SCHOOLCRAFT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE J - ROAD COMMISSION LONG-TERM DEBT (continued)

The general long-term debt of the Road Commission may be summarized as follows:

Type of Debt	Balance 10/1/2007	Additions	Deductions	Balance 9/30/2008	Due in One Year
Bonds payable:					
Michigan Transportation Fund Bonds	\$ 1,745,000	\$ -	\$ 55,000	\$ 1,690,000	\$ 55,000
Notes payable:					
Wells Fargo 2003 Equipment	110,448	-	110,448	-	-
Installment purchase:					
Land purchase (2008)	-	148,000	-	148,000	35,750
Compensated Absences	252,773	17,439	-	270,212	
Total long-term debt	<u>\$ 2,108,221</u>	<u>\$ 165,439</u>	<u>\$ 165,448</u>	<u>\$ 2,108,212</u>	<u>\$ 90,750</u>

Debt service requirements on long-term debt at September 30, 2008 are as follows:

For the Year Ending September 30,	County Road Commission			
	Bonds Payable		Installment Purchase	
	Principal	Interest	Principal	Interest
2009	\$ 55,000	\$ 76,810	\$ 35,750	\$ -
2010	60,000	74,940	35,750	-
2011	60,000	72,780	35,750	-
2012	65,000	70,560	35,750	-
2013	65,000	68,090	-	-
2014-2018	385,000	296,548	5,000	-
2019-2023	500,000	200,094	-	-
2024-2027	500,000	64,250	-	-
Total	<u>\$ 1,690,000</u>	<u>\$ 924,072</u>	<u>\$ 148,000</u>	<u>\$ -</u>

COUNTY OF SCHOOLCRAFT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE K – SCHOOLCRAFT MEMORIAL HOSPITAL LONG-TERM DEBT

Required payments of principal on various notes payable at December 31, 2007, including current maturities, are summarized as follows:

For the Year Ending December 31	Notes Payable Principal
2008	\$ 668,571
2009	462,013
2010	220,929
2011	180,000
2012	157,061
Thereafter	919,861
Total	\$ 2,608,435

NOTE L – MEDICAL CARE FACILITY COMPENSATED ABSENCES

The Medical Care Facility's policies regarding vacation, sick and compensated time off allow non-union employees to accumulate earned but unused vacation and sick time, and for union employees to accumulate earned but unused compensated time off. The liability for these compensated absences is recorded as an accrued current liability on the Statement of Net Assets. As of September 30, 2008, the total accrued vacation, sick and compensated time off was \$20,589, \$75,107 and \$99,925, respectively, totaling \$195,621.

NOTE M – PUBLIC TRANSIT COMPENSATED ABSENCES

Vacation is earned on a variable basis, depending upon length of employment. Upon retirement or termination, employees are paid for all outstanding days accumulated at their current rate of pay. The amount of accrued vacation time at September 30, 2008 is \$8,323.

Sick leave is earned at the rate of one day per month, not exceeding twelve days per year. Upon retirement or disability, employees are eligible to receive one-half of such sick leave accumulated, up to a maximum of one hundred days, at their current rate of pay. The amount of accumulated sick leave recorded at one-half of the total accumulated sick leave is \$19,611. Actual sick leave available to be used upon illness is \$39,222.

Accruals for sick and vacation accumulated by Transit employees are reported as liabilities of that fund as required by accounting principles generally accepted in the United States of America.

COUNTY OF SCHOOLCRAFT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE N - OPERATING TRANSFERS IN AND OUT

Transfers between governmental and proprietary funds are made to fund various County programs operational expenditures and are summarized as follows for the year ended September 30, 2008:

	Transfers In	Transfers Out
Governmental Funds:		
General Fund	\$ 277,866	\$ 482,698
Merwin Creek Campground	1,000	
Parks & Recreation	2,599	-
Drug & Alcohol Enforcement	8,407	-
Probation Oversight	-	1,650
Revenue Sharing Reserve	-	172,038
Emergency Management	8,102	-
O.R.V. Law Enforcement Grant	6	-
Law Library	36,000	-
Probate Child Care	195,649	-
Soldiers & Sailors Relief	-	343
Department of Social Services Debt	72,200	-
Capital Improvement - Public Safety	1,264	-
Carpenter Dam - Maintenance & Repair	500	-
Budget Stabilization	26,208	27,179
Enterprise Funds:		
Building Inspection	49,202	-
Airport Operations	42,471	-
Tax Revolving 2001	-	513,187
Tax Revolving 2005	-	170,656
Tax Revolving 2006	-	541,000
Tax Revolving 2007	1,148,187	-
Internal Service Funds:		
Computer	14,190	-
Postage Meter	6,600	-
Telephone	17,300	-
Motor Pool	1,000	-
Total	<u>\$ 1,908,751</u>	<u>\$ 1,908,751</u>

COUNTY OF SCHOOLCRAFT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE O - RETIREMENT PLANS

General County

Plan Description – The County of Schoolcraft has eight valuation divisions, which participate in a single retirement plan administered by the Municipal Employee's Retirement System (MERS). They are the General County, Sheriff-FOP, Sheriff's Department, Medical Care Facility, MCF Non-Union, Senior Citizens and Housing, Judges and Admin & DON which participate in a defined benefit contributory plan. The retirement plan covers substantially all full-time and limited part-time employees. MERS is a multiple-employer public employee retirement system that acts as a common investment and administrative agent for Michigan municipal employees. All full-time employees of the County participate in the system.

MERS was organized pursuant to Section 12a of Act #156, Public Acts of 1851 (MSA 5.333(a); MCLA 46.12(a), as amended, State of Michigan. MERS is regulated under Act No. 427 of the Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 447 North Canal Street, Lansing, Michigan 48917-9755.

General County Retirement Plan – The General County offers its various departments either benefit B-2, B-3 or B-4. Under benefit B-2 employees shall receive 2.0% of their three-year final average compensation. Under B-3 employees shall receive 2.25% of their three-year final average compensation, with a maximum of 80% of final average compensation. Under benefit B-4 employees shall receive 2.5% of their three-year final average compensation, with a maximum of 80% of final average compensation. Retirement eligibility and requirements vary by department. The most recent actuarial report gives the details of the plan and a copy is on file at the County Treasurer's office.

Actuarial Accrued Liability – The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of December 31, 2007. Significant actuarial assumptions used in determining the actuarial accrued liability include (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 8.4% per year, depending on age, attributable to seniority/merit.

All entries are based on the actuarial methods and assumptions that were used in the December 31, 2007 actuarial valuation to determine the annual employer contribution amounts. The entry age normal actuarial method was used to determine the entries at disclosure.

COUNTY OF SCHOOLCRAFT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE O - RETIREMENT PLANS (continued)

GASB 25 INFORMATION (as of 12/31/07)

Actuarial Accrued Liability:

Retirees and beneficiaries currently receiving benefits	\$ 10,042,334
Terminated employees not yet receiving benefits	712,288
Non-vested terminated employees	107,824
Current Employees:	
Accumulated employee contributions including allocated investment income	1,513,114
Employer financed	<u>9,896,914</u>
Total actuarial accrued liability	22,272,474
Net assets available for benefits, at actuarial value (market value is \$17,392,636)	<u>17,192,083</u>
Unfunded (overfunded) actuarial accrued liability	<u><u>\$ 5,080,391</u></u>

GASB 27 INFORMATION (as of 12/31/07)

Fiscal year beginning	October 1, 2009
Annual required contribution (ARC)	\$ 716,244
Amortization factor used - Underfunded Liabilities (28 years)	0.055889

Contributions Required and Contributions Made - MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the fiscal year ended December 31, 2007 were determined using the entry age normal cost actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years. The following table provides a schedule of contribution amounts and percentages for recent years.

Annual Pension Cost Year Ended September 30,	Annual Pension Cost (APC)	Percentage of APC Contribution	Net Pension Obligation
2005	\$ 618,136	100%	-
2006	637,645	100%	-
2007	671,094	100%	-

The General County was required to contribute \$694,390 for the year ended September 30, 2008. Payments were based on contribution calculations made by MERS.

COUNTY OF SCHOOLCRAFT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE O - RETIREMENT PLANS (continued)

The County is required to contribute at an actuarially determined rate, which is a percentage of covered payroll as listed below:

Valuation Division	Contribution Percentage		
	2009*	2008*	2007*
General	20.01%	19.20%	14.67%
Sheriff FOP	19.69%	19.40%	19.27%
MCF	8.57%	8.38%	8.34%
Senior Citizens Housing	13.53%	13.93%	14.17%
Judges	0.00%	1.88%	0.00%
Sheriff/Sheriff	23.87%	13.38%	14.36%
MCF Non-Union	14.53%	15.36%	14.49%
Admin & DON	\$598 #	0.00%	

* Represents the actuarial required contribution for the fiscal year ended.

For this division, projected assets exceed projected liabilities as of the beginning of the fiscal year.

Aggregate Accrued Liabilities - Comparative Schedule

Valuation Date December 31,	Actuarial Value of Assets	Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
2005	\$ 14,706,782	\$ 18,538,808	\$ 3,832,026	79%	\$ 5,034,483	76%
2006	15,984,517	20,203,170	4,218,653	79%	5,090,532	83%
2007	17,192,083	22,272,474	5,080,391	77%	5,238,707	97%

For actuarial valuation purposes, the actuarial value of assets is determined on the basis of a calculation method that assumes the fund earns the expected rate of return (8%), and includes an adjustment to reflect market value.

County Road Commission - Component Unit

Description of Plan and Plan Assets – The Schoolcraft County Road Commission is in an agent multiple-employer defined benefit pension plan with the Municipal Employee's Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, non-duty connected death and post retirement adjustments to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.25% times the final average compensation (FAC) with a maximum benefit of 80% of FAC. The most recent period for which actuarial date was available was for the fiscal year ended December 31, 2007.

COUNTY OF SCHOOLCRAFT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE O - RETIREMENT PLANS (continued)

Funding Policy

MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due.

Annual Pension Cost

The normal cost and amortization payment for the fiscal year ended December 31, 2007 were determined using an attained age actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years. The Road Commission was required to contribute \$360,036 for the year ended September 30, 2008. Payments were based on contribution calculations made by MERS.

Three Year Trend Information for GASB Statement No. 27

Annual Pension Cost Ended December 31	Annual Pension Cost (APC)	Percentage of APC Contribution	Net Pension Obligation
2005	\$ 253,725	100%	\$ -
2006	301,221	100%	-
2007	328,590	100%	-

Required Supplementary Information for GASB Statement No. 27

Actuarial Valuation Date December 31,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
2005	\$ 6,424,004	\$ 9,603,356	\$ 3,179,352	67%	\$ 1,258,646	253%
2006	6,660,345	10,501,104	3,840,759	63%	1,161,701	331%
2007	6,894,218	11,136,841	4,242,623	62%	1,219,310	348%

COUNTY OF SCHOOLCRAFT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE O - RETIREMENT PLANS (continued)

Schoolcraft Memorial Hospital - Component Unit

The Hospital sponsors a defined benefit plan through participation in the Michigan Municipal Employee's Retirement System (MMERS), an agent multiple-employer defined benefit pension plan that covers full-time employees of the Hospital hired before February 17, 1999, who did not elect to change to the defined contribution plan. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. MMERS issues a publicly available financial report that includes financial statements and required supplementary information for the system.

Benefits provisions of MMERS, and employer and employee obligations to contribute are outlined in ACT No. 427 of the Public Acts of 1984, as amended. Pension expense consists of normal costs of the plan and amortization of investments over a 10-year period.

The Hospital's contributions to the defined benefit plan amounted to \$267,344 for the year ended December 31, 2007.

The following table summarizes the benefit obligation, the fair value of assets, and the funded status of the plan as of the end of the plan years December 31, 2006, the last plan measurement date available:

	<u>2006</u>
Projected benefit obligation	\$ (15,504,838)
Fair value of plan assets as of December 31	<u>13,135,412</u>
Funded status at December 31	<u>\$ (2,369,426)</u>

The plan's current accumulated benefit obligation was \$12,625,817 at December 31, 2006, the plan measurement date. Fair value of plan assets exceeded the accumulated benefit obligation at December 31, 2006.

The amount of required contributions and benefits paid from the plan is as follows for the plan years ended December 31, 2006:

	<u>2006</u>
Annual contributions	210,371
Benefit payments	721,837

COUNTY OF SCHOOLCRAFT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE O - RETIREMENT PLANS (continued)

The assumptions used in the measurement of the Hospital's benefit obligation are shown in the following table:

	<u>2006</u>
Expected return on plan assets	8.0%
Rate of compensation increase	4.5%-12.9%
Cost of living adjustment	4.5%

The Hospital also sponsors a defined contribution plan covering all employees hired after February 17, 1999, and all other employees who elected to change from the defined benefit plan. Participating employees in this plan must contribute 5% of their gross earnings and the Hospital contributes 3% match for participants. The Hospital's contribution totaled \$220,613 for the year ended December 31, 2007.

NOTE P – DESIGNATED FUND BALANCE AND RESERVE RETAINED EARNINGS

Various county funds have designated fund balance and retained earnings for cash restricted for various purposes. See Note – C "Restricted Cash", for these specified purposes.

NOTE Q - CONTINGENT LIABILITIES

The County participates in a number of Federal and State assisted grant programs, principal of which are the Friend of Court and Prosecuting Attorney Cooperative Reimbursement programs, which are subject to financial and compliance audits. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the County expects such amounts if any, to be immaterial.

NOTE R - RISK MANAGEMENT

The County of Schoolcraft participates as a member in the Michigan Municipal Risk Management Authority. The Authority is a municipal self-insurance entity operating pursuant to the State of Michigan Public Act 138 of 1982. The purpose of the Authority is to administer a risk management fund, which provides members with loss protection for general and auto liability, motor vehicle physical damage, and property.

COUNTY OF SCHOOLCRAFT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE R - RISK MANAGEMENT (continued)

The Authority has entered into reinsurance agreements providing for loss coverage in excess of the amounts to be retained by the Authority and individual members. An individual member's maximum retention on general liability and auto liability is \$100,000 per person and \$250,000 per occurrence. The limits on vehicle physical damage are \$1,500,000. The retention limits for property coverage are subject to a \$250 deductible. Some members have individual retention levels different than the ones previously stated.

The member must satisfy all deductibles before any payments are made from the member's self-insured retention or by MMRMA.

All costs including damages and allocated loss adjustment expenses are on an occurrence basis and must be paid first from the member's self-insured retention. The member's self-insured retention and deductibles must be satisfied fully before MMRMA will be responsible for any payments. The most MMRMA will pay is the difference between the member's self-insured retention and the Limits of Coverage.

Schoolcraft County agrees to maintain, at all times, on account with MMRMA, sufficient funds to pay its self-insured retention obligations. The member agrees to abide by all MMRMA rules, regulations, and administrative procedures pertaining to the member's self-insured retention.

At September 30, 2008, the County had no outstanding claims, which exceeded the plan's limits and there has been no significant reduction in insurance coverage over the past three years.

NOTE S – RESTRICTED NET ASSETS

Total net assets which are restricted by enabling legislation amounted to \$1,230,520 for governmental activities and \$27,390 for business-type activities.

REQUIRED SUPPLEMENTAL INFORMATION

COUNTY OF SCHOOLCRAFT, MICHIGAN
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended September 30, 2008

	Budgeted Amounts		Actual Amounts, (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 1,969,982	\$ 2,028,080	\$ 2,141,403	\$ 113,323
License and permits	8,550	9,089	7,724	(1,365)
Federal sources	164,000	165,181	155,981	(9,200)
State sources	188,570	190,262	170,161	(20,101)
Charges for services	333,605	359,351	316,659	(42,692)
Interest and rentals	100,000	100,000	64,648	(35,352)
Other	519,563	581,190	564,890	(16,300)
Total revenues	3,284,270	3,433,153	3,421,466	(11,687)
EXPENDITURES:				
Legislative:				
Board of commissioners	74,331	57,691	46,169	11,522
County memberships	23,653	26,653	26,652	1
Judicial system:				
Circuit court	113,473	159,258	156,263	2,995
District court	161,274	207,963	204,087	3,876
Friend of court	172,818	174,290	173,946	344
Jury commission	2,169	2,169	1,694	475
Probate court	119,719	150,363	149,284	1,079
Juvenile court	45,391	72,144	71,891	253
Prosecuting attorney	152,936	152,974	150,195	2,779
General government:				
Elections	12,032	13,679	13,656	23
Audit	26,500	26,500	26,500	-
Clerk	243,756	244,089	242,234	1,855
Equalization	152,471	153,340	150,406	2,934
Surveyor	2,490	2,490	2,487	3
Treasurer	206,218	208,003	205,906	2,097
Cooperative extension	52,439	52,439	50,110	2,329
Building and grounds	364,867	398,043	380,506	17,537
Drain commissioner	6,666	6,666	5,401	1,265
Planning and zoning	8,667	8,781	7,844	937
Copy machines	12,000	12,537	12,467	70
Public safety:				
Sheriff's administration	73,612	75,163	75,061	102
Search and rescue	-	102	101	1
County jail	650,850	731,349	724,772	6,577
Animal control	3,409	3,409	7	3,402
Risk control safety commission	1,129	1,144	434	710
Health and welfare:				
Medical examiner	8,100	8,100	7,868	232
Veteran's counselor and burials	24,759	19,507	19,364	143
Substance abuse	-	15,969	21,132	(5,163)
LMAS Health Department	10,000	10,000	10,000	-
Debt service:				
Principal payments	-	-	15,199	(15,199)
Interest and fiscal charges	-	-	50	(50)

	Budgeted Amounts		Actual Amounts, (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Other:				
Insurance liability	164,312	86,145	84,839	1,306
Unemployment	10,000	1,784	1,784	-
Workmen's compensation	3,000	3,000	425	2,575
Tax tribunal paybacks	-	-	47,487	(47,487)
Appropriations	94,252	94,434	94,433	1
Miscellaneous contingencies	90,000	39,818	-	39,818
Other	21,872	27,171	23,455	3,716
Total expenditures	3,109,165	3,247,167	3,204,109	43,058
Excess revenues (expenditures)	175,105	185,986	217,357	31,371
OTHER FINANCING SOURCES (USES):				
Transfer in	196,998	305,855	277,866	(27,989)
Transfer out	(372,103)	(491,841)	(482,698)	9,143
Total other financing sources (uses)	(175,105)	(185,986)	(204,832)	(18,846)
Net changes in fund balances	-	-	12,525	12,525
Fund balances - beginning	263,340	263,340	263,340	263,340
Fund balances - ending	\$ 263,340	\$ 263,340	\$ 275,865	\$ 275,865

COUNTY OF SCHOOLCRAFT, MICHIGAN
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
REVENUE SHARING RESERVE FUND
For the Year Ended September 30, 2008

	Budgeted Amounts		Actual Amounts, (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive/ (Negative)
	Original	Final		
REVENUES:				
Interest and rentals	\$ 15,000	\$ 15,000	\$ 11,942	\$ (3,058)
Total revenues	15,000	15,000	11,942	(3,058)
EXPENDITURES:				
General government	-	-	-	-
Excess revenues (expenditures)	15,000	15,000	11,942	(3,058)
OTHER FINANCING SOURCES				
(USES):				
Transfer out	(180,000)	(180,000)	(172,038)	7,962
Net changes in fund balances	(165,000)	(165,000)	(160,096)	4,904
Fund balances - beginning	793,109	793,109	793,109	793,109
Fund balances - ending	\$ 628,109	\$ 628,109	\$ 633,013	\$ 798,013

COUNTY OF SCHOOLCRAFT, MICHIGAN
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
911 TELEPHONE
For the Year Ended September 30, 2008

	Budgeted Amounts		Actual Amounts, (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive/ (Negative)
	Original	Final		
REVENUES:				
State sources	\$ 65,000	\$ 72,210	\$ 97,216	25,006
Local sources	35,085	35,085	32,812	(2,273)
Other	-	-	-	-
Total revenues	100,085	107,295	130,028	22,733
EXPENDITURES:				
Public safety	104,865	107,295	96,112	11,183
Excess revenues (expenditures)	(4,780)	-	33,916	33,916
OTHER FINANCING SOURCES (USES):				
Transfer in	4,780	-	-	-
Net changes in fund balances	-	-	33,916	33,916
Fund balances - beginning	503,132	503,132	503,132	503,132
Fund balances - ending	<u>\$ 503,132</u>	<u>\$ 503,132</u>	<u>\$ 537,048</u>	<u>\$ 537,048</u>

COMBINING FUND FINANCIAL STATEMENTS

COUNTY OF SCHOOLCRAFT, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2008

	Special Revenue Funds				
	Brownfield Grant	Parks & Recreation	Merwin Creek Campground	Drug & Alcohol Enforcement	Friend of the Court
ASSETS					
Cash and equivalents:					
Restricted	\$ -	\$ 707	\$ -	\$ -	\$ -
Unrestricted	-	406	1,796	3,501	15,726
Receivables:			-		
State of Michigan	-	-	-	-	547
Accounts	-	-	-	-	27
Accrued interest	-	-	-	-	-
Due from other governmental units	84,545	-	-	-	-
Due from other funds	-	-	-	-	-
Prepaid expenses	-	-	-	-	-
Total assets	<u>\$ 84,545</u>	<u>\$ 1,113</u>	<u>\$ 1,796</u>	<u>\$ 3,501</u>	<u>\$ 16,300</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 84,545	\$ -	\$ 15	\$ 387	\$ -
Due to other funds	-	-	-	-	-
Due to other governmental units	-	-	-	-	-
Accrued payroll	-	110	-	-	-
Total liabilities	<u>84,545</u>	<u>110</u>	<u>15</u>	<u>387</u>	<u>-</u>
Fund balances:					
Reserved for:					
Prepaid items	-	-	-	-	-
Unreserved:					
Designated	-	707	-	-	-
Undesignated	-	296	1,781	3,114	16,300
Total fund balances	<u>-</u>	<u>1,003</u>	<u>1,781</u>	<u>3,114</u>	<u>16,300</u>
Total liabilities and fund balances	<u>\$ 84,545</u>	<u>\$ 1,113</u>	<u>\$ 1,796</u>	<u>\$ 3,501</u>	<u>\$ 16,300</u>

See accompanying notes to financial statements

Special Revenue Funds

Probation Oversite	Family Counseling Services	Survey and Remonumen- tation	Homestead Property Tax Audit	Register of Deeds Automation	Budget Stabilization	Emergency Management
\$ - 6,661	\$ - 7,201	\$ - -	\$ - 7,731	\$ - 6,361	\$ - -	\$ 838 2,667
-	-	44,668	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	11	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 6,661</u>	<u>\$ 7,201</u>	<u>\$ 44,668</u>	<u>\$ 7,731</u>	<u>\$ 6,372</u>	<u>\$ -</u>	<u>\$ 3,505</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	44,668	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	319
-	-	44,668	-	-	-	319
-	-	-	-	-	-	-
-	-	-	-	-	-	838
<u>6,661</u>	<u>7,201</u>	<u>-</u>	<u>7,731</u>	<u>6,372</u>	<u>-</u>	<u>2,348</u>
<u>6,661</u>	<u>7,201</u>	<u>-</u>	<u>7,731</u>	<u>6,372</u>	<u>-</u>	<u>3,186</u>
<u>\$ 6,661</u>	<u>\$ 7,201</u>	<u>\$ 44,668</u>	<u>\$ 7,731</u>	<u>\$ 6,372</u>	<u>\$ -</u>	<u>\$ 3,505</u>

See accompanying notes to financial statements

COUNTY OF SCHOOLCRAFT, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2008

Special Revenue Funds

	County Grants	Snowmobile Enforcement Grant	Community Corrections Public Act	Dare Grant	O.R.V. Law Enforcement Grant
ASSETS					
Cash and equivalents:					
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	16,897	200	13,090	6
Receivables:					
State of Michigan	-	-	16,562	-	1,981
Accounts	-	-	-	-	-
Accrued interest	-	-	-	-	-
Due from other governmental units	-	-	-	-	-
Due from other funds	-	-	-	-	-
Prepaid expenses	-	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 16,897</u>	<u>\$ 16,762</u>	<u>\$ 13,090</u>	<u>\$ 1,987</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ 98	\$ -	\$ 10
Due to other funds	-	12,000	3,988	-	820
Due to other governmental units	-	-	-	-	-
Accrued payroll	-	-	2,333	-	1,157
Total liabilities	<u>-</u>	<u>12,000</u>	<u>6,419</u>	<u>-</u>	<u>1,987</u>
Fund balances:					
Reserved for:					
Prepaid items	-	-	-	-	-
Unreserved:					
Designated	-	-	-	-	-
Undesignated	-	4,897	10,343	13,090	-
Total fund balances	<u>-</u>	<u>4,897</u>	<u>10,343</u>	<u>13,090</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 16,897</u>	<u>\$ 16,762</u>	<u>\$ 13,090</u>	<u>\$ 1,987</u>

See accompanying notes to financial statements

Special Revenue Funds

Corrections Officers Training	Sheriff Road Patrol	DEQ Coastal Zone Management Grant	Law Library	Juvenile Justice	FIA/MSU Grant	Commission on Aging
\$ - 1,906	\$ - -	\$ - -	\$ - 3,141	\$ 67 5,578	\$ - -	\$ 150 225,229
-	12,929	6,380	-	2,500	-	-
-	-	-	-	-	-	1,329
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	1,279
<u>\$ 1,906</u>	<u>\$ 12,929</u>	<u>\$ 6,380</u>	<u>\$ 3,141</u>	<u>\$ 8,145</u>	<u>\$ -</u>	<u>\$ 227,987</u>
\$ -	\$ -	\$ -	\$ 1,669	\$ -	\$ -	\$ 200
-	9,885	1,280	-	-	-	3,243
-	-	-	-	-	-	-
-	347	-	-	993	-	4,052
-	10,232	1,280	1,669	993	-	7,495
-	-	-	-	-	-	-
-	-	-	-	67	-	150
<u>1,906</u>	<u>2,697</u>	<u>5,100</u>	<u>1,472</u>	<u>7,085</u>	<u>-</u>	<u>220,342</u>
<u>1,906</u>	<u>2,697</u>	<u>5,100</u>	<u>1,472</u>	<u>7,152</u>	<u>-</u>	<u>220,492</u>
<u>\$ 1,906</u>	<u>\$ 12,929</u>	<u>\$ 6,380</u>	<u>\$ 3,141</u>	<u>\$ 8,145</u>	<u>\$ -</u>	<u>\$ 227,987</u>

See accompanying notes to financial statements

COUNTY OF SCHOOLCRAFT, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2008

	Special Revenue Funds				
	Michigan Justice Training	Veterans F.E.M.A.	Probate Child Care	Soldiers & Sailors Relief	County/City Youth Alcohol Grant
ASSETS					
Cash and equivalents:					
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	512	2	18,100	3,328	-
Receivables:					
State of Michigan	-	-	280	-	-
Accounts	-	-	-	-	-
Accrued interest	-	-	-	-	-
Due from other governmental units	-	-	-	-	122
Due from other funds	-	-	-	-	-
Prepaid expenses	-	-	-	-	-
Total assets	<u>\$ 512</u>	<u>\$ 2</u>	<u>\$ 18,380</u>	<u>\$ 3,328</u>	<u>\$ 122</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	2,491	-	122
Due to other governmental units	-	-	15,773	-	-
Accrued payroll	-	-	108	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>18,372</u>	<u>-</u>	<u>122</u>
Fund balances:					
Reserved for:					
Prepaid items	-	-	-	-	-
Unreserved:					
Designated	-	-	-	-	-
Undesignated	512	2	8	3,328	-
Total fund balances	<u>512</u>	<u>2</u>	<u>8</u>	<u>3,328</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 512</u>	<u>\$ 2</u>	<u>\$ 18,380</u>	<u>\$ 3,328</u>	<u>\$ 122</u>

See accompanying notes to financial statements

Special Revenue Funds				Debt Service Funds		
County/City Belt & Alcohol Enforcement	Michigan Veterans Trust	Maintenance of Effort - Medical Care Facility	Marine Safety	County Building Retirement	Department of Social Services Debt	Medical Care Facility II Retirement
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	573	215,663	1,245	99,720	16,518	98,486
-	-	-	4,361	-	-	-
-	-	-	-	-	-	-
-	-	-	-	175	29	76
1,329	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 1,329</u>	<u>\$ 573</u>	<u>\$ 215,663</u>	<u>\$ 5,606</u>	<u>\$ 99,895</u>	<u>\$ 16,547</u>	<u>\$ 98,562</u>
\$ -	\$ 183	\$ -	\$ -	\$ -	\$ -	-
1,329	-	-	-	1,631	-	-
-	-	-	-	-	-	-
-	-	-	39	-	-	-
<u>1,329</u>	<u>183</u>	<u>-</u>	<u>39</u>	<u>1,631</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	390	215,663	5,567	98,264	16,547	98,562
-	390	215,663	5,567	98,264	16,547	98,562
<u>\$ 1,329</u>	<u>\$ 573</u>	<u>\$ 215,663</u>	<u>\$ 5,606</u>	<u>\$ 99,895</u>	<u>\$ 16,547</u>	<u>98,562</u>

See accompanying notes to financial statements

COUNTY OF SCHOOLCRAFT, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2008

	Capital Projects Funds			Total Nonmajor Governmental Funds
	Capital Improvement	Capital Improvement - Public Safety	Carpenter Dam - Maintenance & Repair	
ASSETS				
Cash and equivalents:				
Restricted	\$ 6,512	\$ 21,946	\$ -	\$ 30,220
Unrestricted	-	1,772	9,812	783,828
Receivables:				
State of Michigan	-	-	-	90,208
Accounts	-	-	-	1,356
Accrued interest	-	-	-	291
Due from other governmental units	-	-	-	85,996
Due from other funds	-	-	-	-
Prepaid expense	-	-	-	1,279
Total assets	<u>\$ 6,512</u>	<u>\$ 23,718</u>	<u>\$ 9,812</u>	<u>\$ 993,178</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ 87,107
Due to other funds	-	-	-	81,457
Due to other governmental units	-	-	-	15,773
Accrued payroll	-	-	-	9,458
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>193,795</u>
Fund balances:				
Reserved for:				
Prepaid items	-	-	-	-
Unreserved:				
Designated	6,512	21,946	-	30,220
Undesignated	-	1,772	9,812	769,163
Total fund balances	<u>6,512</u>	<u>23,718</u>	<u>9,812</u>	<u>799,383</u>
Total liabilities and fund balances	<u>\$ 6,512</u>	<u>\$ 23,718</u>	<u>\$ 9,812</u>	<u>\$ 993,178</u>

See accompanying notes to financial statements

COUNTY OF SCHOOLCRAFT, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended September 30, 2008

Special Revenue Funds

	Brownfield Grant	Parks & Recreation	Merwin Creek Campground	Drug & Alcohol Enforcement	Friend of the Court
REVENUES:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Federal sources	224,435	-	-	-	6,500
State sources	-	-	-	-	-
Local sources	-	-	-	1,200	-
Charges for services	-	990	1,024	-	3,490
Interest and rentals	-	-	-	-	250
Other	-	1,088	-	-	-
Total revenues	224,435	2,078	1,024	1,200	10,240
EXPENDITURES:					
Judicial system	-	-	-	-	-
General government	-	-	-	-	-
Public safety	-	-	-	6,623	-
Culture and recreation	-	4,633	243	-	-
Health and welfare	224,435	-	-	-	9,697
Capital outlay	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Other	-	-	-	-	-
Total expenditures	224,435	4,633	243	6,623	9,697
Excess revenues (expenditures)	-	(2,555)	781	(5,423)	543
OTHER FINANCING SOURCES (USES):					
Transfer in	-	2,599	1,000	8,407	-
Transfer out	-	-	-	-	-
Total other financing sources (uses)	-	2,599	1,000	8,407	-
Net changes in fund balance	-	44	1,781	2,984	543
Fund balances - beginning	-	959	-	130	15,757
Fund balances - ending	\$ -	\$ 1,003	\$ 1,781	\$ 3,114	\$ 16,300

See accompanying notes to financial statements

Special Revenue Funds

Probation Oversite	Family Counseling Services	Survey and Remonumen- tation	Homestead Property Tax Audit	Register of Deeds Automation	Budget Stabilization	Emergency Management
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	74,447	-	-	-	-
-	-	-	-	-	-	-
4,315	745	-	-	13,445	-	-
-	-	-	-	123	-	-
-	-	-	-	-	-	-
4,315	745	74,447	-	13,568	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	7,403
-	-	-	-	-	-	-
3,387	38	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	74,447	-	14,357	-	-
3,387	38	74,447	-	14,357	-	7,403
928	707	-	-	(789)	-	(7,403)
-	-	-	-	-	26,208	8,102
(1,650)	-	-	-	-	(27,179)	-
(1,650)	-	-	-	-	(971)	8,102
(722)	707	-	-	(789)	(971)	699
7,383	6,494	-	7,731	7,161	971	2,487
\$ 6,661	\$ 7,201	\$ -	\$ 7,731	\$ 6,372	\$ -	\$ 3,186

See accompanying notes to financial statements

COUNTY OF SCHOOLCRAFT, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended September 30, 2008

	Special Revenue Funds				
	County Grants	Snowmobile Enforcement Grant	Community Corrections Public Act	Dare Grant	O.R.V. Law Enforcement Grant
REVENUES:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Federal sources	6,500	-	-	-	-
State sources	-	10,200	79,815	-	2,541
Local sources	-	-	-	-	-
Charges for services	-	-	-	-	-
Interest and rentals	-	-	-	-	-
Other	-	1,800	5,894	4,453	-
Total revenues	6,500	12,000	85,709	4,453	2,541
EXPENDITURES:					
Judicial system	-	-	84,722	-	-
General government	-	-	-	-	-
Public safety	6,500	12,001	-	1,523	2,547
Culture & Recreation	-	-	-	-	-
Health and welfare	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Other	-	-	-	-	-
Total expenditures	6,500	12,001	84,722	1,523	2,547
Excess revenues (expenditures)	-	(1)	987	2,930	(6)
OTHER FINANCING SOURCES (USES):					
Transfer in	-	-	-	-	6
Transfer out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	6
Net changes in fund balance	-	(1)	987	2,930	-
Fund balances - beginning	-	4,898	9,356	10,160	-
Fund balances - ending	\$ -	\$ 4,897	\$ 10,343	\$ 13,090	\$ -

See accompanying notes to financial statements

Special Revenue Funds						
Corrections Officers Training	Sheriff Road Patrol	DEQ Coastal Zone Management Grant	Law Library	Juvenile Justice	FIA/MSU Grant	Commission on Aging
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 146,931
-	-	-	-	-	-	16,299
-	34,762	19,140	-	16,222	-	13,906
-	-	1,600	-	50	-	187
2,150	-	-	-	-	-	-
-	-	-	-	-	-	-
-	324	-	2,000	104	-	7,437
2,150	35,086	20,740	2,000	16,376	-	184,760
-	-	-	37,669	16,480	-	-
-	-	-	-	-	-	-
2,681	34,761	-	-	-	-	-
-	-	-	-	-	-	-
-	-	15,640	-	-	6,022	132,897
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
2,681	34,761	15,640	37,669	16,480	6,022	132,897
(531)	325	5,100	(35,669)	(104)	(6,022)	51,863
-	-	-	36,000	-	-	-
-	-	-	-	-	-	-
-	-	-	36,000	-	-	-
(531)	325	5,100	331	(104)	(6,022)	51,863
2,437	2,372	-	1,141	7,256	6,022	168,629
\$ 1,906	\$ 2,697	\$ 5,100	\$ 1,472	\$ 7,152	\$ -	\$ 220,492

See accompanying notes to financial statements

COUNTY OF SCHOOLCRAFT, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended September 30, 2008

	Special Revenue Funds				
	Michigan Justice Training	Veterans F.E.M.A.	Probate Child Care	Soldiers & Sailors Relief	County/City Youth Alcohol Grant
REVENUES:					
Taxes	\$ -	\$ -	\$ -	\$ 30,953	\$ -
Federal sources	-	-	-	-	-
State sources	933	-	-	-	121
Local sources	-	-	-	-	-
Charges for services	-	-	6,637	-	-
Interest and rentals	-	-	-	-	-
Other	319	-	498	-	-
Total revenues	1,252	-	7,135	30,953	121
EXPENDITURES:					
Judicial system	-	-	-	-	-
General government	-	-	-	-	-
Public safety	2,446	-	-	-	121
Culture & Recreation	-	-	-	-	-
Health and welfare	-	-	203,572	27,637	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Other	-	-	-	-	-
Total expenditures	2,446	-	203,572	27,637	121
Excess revenues (expenditures)	(1,194)	-	(196,437)	3,316	-
OTHER FINANCING SOURCES (USES):					
Transfer in	-	-	195,649	-	-
Transfer out	-	-	-	(343)	-
Total other financing sources (uses)	-	-	195,649	(343)	-
Net changes in fund balance	(1,194)	-	(788)	2,973	-
Fund balances - beginning	1,706	2	796	355	-
Fund balances - ending	\$ 512	\$ 2	\$ 8	\$ 3,328	\$ -

See accompanying notes to financial statements

Special Revenue Funds				Debt Service Funds		
County/City Belt & Alcohol Enforcement	Michigan Veterans Trust	Maintenance of Effort - Medical Care Facility	Marine Safety	County Building Retirement	Department of Social Services Debt	Medical Care Facility II Retirement
\$ -	\$ -	\$ 77,437	\$ -	\$ 83,467	\$ -	\$ 135,722
-	-	-	-	-	-	-
1,329	2,109	-	975	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	1,721	683	979
-	-	-	-	-	-	-
<u>1,329</u>	<u>2,109</u>	<u>77,437</u>	<u>975</u>	<u>85,188</u>	<u>683</u>	<u>136,701</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,329	-	-	4,594	-	-	-
-	-	-	-	-	-	-
-	3,303	16,592	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	85,000	37,000	110,000
-	-	-	-	8,875	36,347	38,644
-	-	-	-	1,736	181	456
<u>1,329</u>	<u>3,303</u>	<u>16,592</u>	<u>4,594</u>	<u>95,611</u>	<u>73,528</u>	<u>149,100</u>
-	(1,194)	60,845	(3,619)	(10,423)	(72,845)	(12,399)
-	-	-	-	-	72,200	-
-	-	-	-	-	-	-
-	-	-	-	-	72,200	-
-	(1,194)	60,845	(3,619)	(10,423)	(645)	(12,399)
-	1,584	154,818	9,186	108,687	17,192	110,961
<u>\$ -</u>	<u>\$ 390</u>	<u>\$ 215,663</u>	<u>\$ 5,567</u>	<u>\$ 98,264</u>	<u>\$ 16,547</u>	<u>\$ 98,562</u>

See accompanying notes to financial statements

COUNTY OF SCHOOLCRAFT, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended September 30, 2008

	Capital Projects Funds			Total Nonmajor Governmental Funds
	Capital Improvement	Capital Improvement - Public Safety	Carpenter Dam - Maintenance & Repair	
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ 474,510
Federal sources	-	-	-	253,734
State sources	-	-	-	256,500
Local sources	-	-	2,000	5,037
Charges for services	-	-	-	32,796
Interest and rentals	-	-	-	3,756
Other	-	-	-	23,917
Total revenues	-	-	2,000	1,050,250
EXPENDITURES:				
Judicial system	-	-	-	138,871
General government	-	-	-	-
Public safety	-	-	-	82,529
Culture & Recreation	-	-	-	4,876
Health and welfare	-	-	-	643,220
Capital outlay	-	614	5	619
Debt service:				
Principal	-	-	-	232,000
Interest	-	-	-	83,866
Other	-	1,999	-	93,176
Total expenditures	-	2,613	5	1,279,157
Excess revenues (expenditures)	-	(2,613)	1,995	(228,907)
OTHER FINANCING SOURCES (USES):				
Transfer in	-	1,264	500	351,935
Transfer out	-	-	-	(29,172)
Total other financing sources (uses)	-	1,264	500	322,763
Net changes in fund balance	-	(1,349)	2,495	93,856
Fund balances - beginning	6,512	25,067	7,317	705,527
Fund balances - ending	\$ 6,512	\$ 23,718	\$ 9,812	\$ 799,383

See accompanying notes to financial statements

COUNTY OF SCHOOLCRAFT, MICHIGAN
COMBINING STATEMENT OF NET ASSETS
NONMAJOR PROPRIETARY FUNDS
September 30, 2008

	<u>Foreclosure</u>	<u>Jail Commissary</u>	<u>Building Inspection Department</u>	<u>Buildings and Property</u>
ASSETS				
Current assets:				
Cash and cash equivalents				
Restricted	\$ 76,842	\$ -	\$ -	\$ -
Unrestricted	3,850	1,414	1,865	141,060
Accounts receivable	140	-	-	-
Due from other funds	-	-	-	-
Prepaid expenses	-	-	882	-
	<u>80,832</u>	<u>1,414</u>	<u>2,747</u>	<u>141,060</u>
Total current assets				
Noncurrent assets:				
Delinquent taxes	-	-	-	-
Accrued interest on delinquent taxes	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total noncurrent assets				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 80,832</u>	<u>\$ 1,414</u>	<u>\$ 2,747</u>	<u>\$ 141,060</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ 15	\$ -
Accrued payroll	-	-	2,372	-
Due to other funds	-	-	359	-
	<u>-</u>	<u>-</u>	<u>2,746</u>	<u>-</u>
Total liabilities				
NET ASSETS				
Unrestricted	<u>80,832</u>	<u>1,414</u>	<u>1</u>	<u>141,060</u>
Total net assets	<u>80,832</u>	<u>1,414</u>	<u>1</u>	<u>141,060</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 80,832</u>	<u>\$ 1,414</u>	<u>\$ 2,747</u>	<u>\$ 141,060</u>

See accompanying notes to financial statements

Summer Tax Collections	Tax Revolving 2001	Tax Revolving 2002	Tax Revolving 2003	Tax Revolving 2005	Tax Revolving 2006	Total Nonmajor Proprietary Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 76,842
538	-	32	4,267	14,782	39,984	207,792
-	-	-	155	80	756	1,131
-	-	-	12,000	-	-	12,000
-	-	-	-	-	-	882
538	-	32	16,422	14,862	40,740	298,647
-	-	609	577	614	34,512	36,312
-	-	-	6	19	9,887	9,912
-	-	609	583	633	44,399	46,224
<u>\$ 538</u>	<u>\$ -</u>	<u>\$ 641</u>	<u>\$ 17,005</u>	<u>\$ 15,495</u>	<u>\$ 85,139</u>	<u>\$ 344,871</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15
-	-	-	-	-	-	2,372
-	-	-	-	-	-	359
-	-	-	-	-	-	2,746
538	-	641	17,005	15,495	85,139	342,125
538	-	641	17,005	15,495	85,139	342,125
<u>\$ 538</u>	<u>\$ -</u>	<u>\$ 641</u>	<u>\$ 17,005</u>	<u>\$ 15,495</u>	<u>\$ 85,139</u>	<u>\$ 344,871</u>

See accompanying notes to financial statements

COUNTY OF SCHOOLCRAFT, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
NONMAJOR PROPRIETARY FUNDS
For the Year Ended September 30, 2008

	<u>Foreclosure</u>	<u>Jail Commissary</u>	<u>Building Inspection Department</u>	<u>Buildings and Property</u>
OPERATING REVENUES:				
Charges for services	\$ 39,150	\$ 4,449	\$ 11,413	\$ -
State sources	-	-	2,680	-
Rental and interest income	-	-	-	-
Other	9,573	-	72	-
	<u>48,723</u>	<u>4,449</u>	<u>14,165</u>	<u>-</u>
Total operating revenue				
	<u>48,723</u>	<u>4,449</u>	<u>14,165</u>	<u>-</u>
OPERATING EXPENSES:				
Salaries and fringes	-	-	63,924	-
Contracted services	12,988	-	-	1,175
Other	8,304	4,827	3,295	19
	<u>21,292</u>	<u>4,827</u>	<u>67,219</u>	<u>1,194</u>
Total operating expenses				
	<u>21,292</u>	<u>4,827</u>	<u>67,219</u>	<u>1,194</u>
Operating income (loss)	<u>27,431</u>	<u>(378)</u>	<u>(53,054)</u>	<u>(1,194)</u>
NONOPERATING REVENUES (EXPENSES):				
Interest income	284	8	-	-
Transfer in	-	-	49,202	-
Transfer out	-	-	-	-
	<u>284</u>	<u>8</u>	<u>49,202</u>	<u>-</u>
Total nonoperating revenues (expenses)				
	<u>284</u>	<u>8</u>	<u>49,202</u>	<u>-</u>
Change in net assets	27,715	(370)	(3,852)	(1,194)
Total net assets - beginning	<u>53,117</u>	<u>1,784</u>	<u>3,853</u>	<u>142,254</u>
Total net assets - ending	<u>80,832</u>	<u>\$ 1,414</u>	<u>\$ 1</u>	<u>\$ 141,060</u>

See accompanying notes to financial statements

Summer Tax Collections	Tax Revolving 2001	Tax Revolving 2002	Tax Revolving 2003	Tax Revolving 2005	Tax Revolving 2006	Total Nonmajor Proprietary Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 55,012
-	-	-	-	-	-	2,680
-	-	-	-	1,813	20,884	22,697
-	-	-	-	1,796	11,246	22,687
-	-	-	-	3,609	32,130	103,076
-	-	-	-	-	-	63,924
-	-	-	-	4,120	-	18,283
305	-	-	-	446	668	17,864
305	-	-	-	4,566	668	100,071
(305)	-	-	-	(957)	31,462	3,005
-	-	-	129	3,410	7,412	11,243
-	-	-	-	-	-	49,202
-	(513,187)	-	-	(170,656)	(541,000)	(1,224,843)
-	(513,187)	-	129	(167,246)	(533,588)	(1,164,398)
(305)	(513,187)	-	129	(168,203)	(502,126)	(1,161,393)
843	513,187	641	16,876	183,698	587,265	1,503,518
\$ 538	\$ -	\$ 641	\$ 17,005	\$ 15,495	\$ 85,139	\$ 342,125

See accompanying notes to financial statements

COUNTY OF SCHOOLCRAFT, MICHIGAN
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
For the Year Ended September 30, 2008

	Foreclosure	Jail Commissary	Building Inspection Department	Buildings and Property
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 39,010	\$ 4,449	\$ 11,413	\$ -
Receipts from interest and rents	-	-	-	-
Cash received for collection of taxes	-	-	-	-
Other operating cash receipts	9,573	-	2,752	-
Payments to suppliers	(13,004)	-	-	(1,175)
Payments for wages and related benefits	-	-	(63,389)	-
Other operating cash payments	(8,304)	(4,827)	(3,094)	(19)
	<u>27,275</u>	<u>(378)</u>	<u>(52,318)</u>	<u>(1,194)</u>
Net cash provided (used) by operating activities				
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer in	-	-	49,202	-
Transfer out	-	-	-	-
	<u>-</u>	<u>-</u>	<u>49,202</u>	<u>-</u>
Net cash provided (used) by noncapital financing activities				
CASH FLOWS FROM INVESTMENT ACTIVITIES				
Interest earnings	284	8	-	-
	<u>27,559</u>	<u>(370)</u>	<u>(3,116)</u>	<u>(1,194)</u>
Net increase (decrease) in cash and equivalents				
Cash and equivalents, beginning of year	53,133	1,784	4,981	142,254
Cash and equivalents, end of year	<u>\$ 80,692</u>	<u>\$ 1,414</u>	<u>\$ 1,865</u>	<u>\$ 141,060</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	27,431	\$ (378)	\$ (53,054)	\$ (1,194)
Changes in assets and liabilities:				
(Increase) decrease in receivables	(140)	-	-	-
(Increase) decrease in due from other funds	-	-	-	-
(Increase) decrease in prepaid expenses	-	-	(25)	-
Increase (decrease) in accounts payable	(16)	-	(133)	-
Increase (decrease) in due to other funds	-	-	359	-
Increase (decrease) in accrued payroll	-	-	535	-
	<u>(156)</u>	<u>-</u>	<u>736</u>	<u>-</u>
Total adjustments				
Net cash provided by operating activities	<u>\$ 27,275</u>	<u>\$ (378)</u>	<u>\$ (52,318)</u>	<u>\$ (1,194)</u>

See accompanying notes to financial statements

Summer Tax Collections	Tax Revolving 2001	Tax Revolving 2002	Tax Revolving 2003	Tax Revolving 2005	Tax Revolving 2006	Total Nonmajor Proprietary Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 54,872
-	-	-	(6)	14,809	34,002	48,805
-	-	1	-	45,052	294,125	339,178
-	-	-	-	2,446	15,700	30,471
-	-	-	-	(4,120)	-	(18,299)
-	-	-	-	-	-	(63,389)
(305)	-	-	-	(446)	(668)	(17,663)
(305)	-	1	(6)	57,741	343,159	373,975
-	-	-	-	-	-	49,202
-	(513,187)	-	-	(170,656)	(541,000)	(1,224,843)
-	(513,187)	-	-	(170,656)	(541,000)	(1,175,641)
-	-	-	129	3,410	7,412	11,243
(305)	(513,187)	1	123	(109,505)	(190,429)	(790,423)
843	513,187	31	4,144	124,287	230,413	1,075,057
\$ 538	\$ -	\$ 32	\$ 4,267	\$ 14,782	\$ 39,984	\$ 284,634
\$ (305)	\$ -	\$ -	\$ -	\$ (957)	\$ 31,462	\$ 3,005
-	-	1	(6)	58,698	311,697	370,250
-	-	-	-	-	-	-
-	-	-	-	-	-	(25)
-	-	-	-	-	-	(149)
-	-	-	-	-	-	359
-	-	-	-	-	-	535
-	-	1	(6)	58,698	311,697	370,970
\$ (305)	\$ -	\$ 1	\$ (6)	\$ 57,741	\$ 343,159	\$ 373,975

See accompanying notes to financial statements

COUNTY OF SCHOOLCRAFT, MICHIGAN
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
September 30, 2008

	<u>Computer</u>	<u>Postage Meter</u>	<u>Telephone</u>	<u>Motor Pool Police Vehicle</u>
ASSETS				
Current assets:				
Cash and cash equivalents				
Restricted	\$ 2,505	\$ -	\$ -	\$ 6,886
Unrestricted	8,243	-	1,344	2,776
Accounts receivable	-	-	46	-
Prepaid expenses	-	749	-	-
	<u>10,748</u>	<u>749</u>	<u>1,390</u>	<u>9,662</u>
Total current assets				
Noncurrent assets:				
Capital assets, net of accumulated depreciation	5,850	-	-	8,125
	<u>16,598</u>	<u>749</u>	<u>1,390</u>	<u>17,787</u>
Total assets				
LIABILITIES				
Current liabilities:				
Accounts payable	-	38	1,339	-
Due to other funds	-	584	-	-
	<u>-</u>	<u>622</u>	<u>1,339</u>	<u>-</u>
Total liabilities				
NET ASSETS				
Invested in capital assets	5,850	-	-	8,125
Unrestricted	10,748	127	51	9,662
	<u>16,598</u>	<u>127</u>	<u>51</u>	<u>17,787</u>
Total net assets				
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 16,598</u>	<u>\$ 749</u>	<u>\$ 1,390</u>	<u>\$ 17,787</u>

See accompanying notes to financial statements

Total
Internal
Service
Funds

\$	9,391
	12,363
	46
	749

22,549

13,975

\$	36,524
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	1,377
	584

1,961

	13,975
	20,588

34,563

\$	36,524
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See accompanying notes to financial statements

COUNTY OF SCHOOLCRAFT, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
INTERNAL SERVICE FUNDS
For the Year Ended September 30, 2008

	Computer	Postage Meter	Telephone	Motor Pool Police Vehicle
OPERATING REVENUES:				
Charges for services	\$ 506	\$ 2,583	\$ 1,789	\$ -
Other	2,122	-	-	-
Total operating revenue	2,628	2,583	1,789	-
OPERATING EXPENSES:				
Administrative fees	17,026	14,734	19,135	-
Depreciation	5,379	-	-	4,876
Total operating expenses	22,405	14,734	19,135	4,876
Operating income (loss)	(19,777)	(12,151)	(17,346)	(4,876)
NONOPERATING REVENUES (EXPENSES):				
Transfer in	14,190	6,600	17,300	1,000
Total nonoperating revenues (expenses)	14,190	6,600	17,300	1,000
Change in net assets	(5,587)	(5,551)	(46)	(3,876)
Total net assets - beginning	22,185	5,678	97	21,663
Total net assets - ending	\$ 16,598	\$ 127	\$ 51	\$ 17,787

See accompanying notes to financial statements

Total
Internal
Service
Funds

\$ 4,878
2,122

7,000

50,895
10,255

61,150

(54,150)

39,090

39,090

(15,060)

49,623

\$ 34,563

See accompanying notes to financial statements

COUNTY OF SCHOOLCRAFT, MICHIGAN
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended September 30, 2008

	Computer	Postage Meter	Telephone	Motor Pool Police Vehicle
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from interfund services provided	\$ 2,640	\$ 2,626	\$ 1,762	\$ -
Cash payments to other suppliers of goods and services	(17,026)	(10,316)	(19,218)	-
Net cash provided (used) by operating activities	(14,386)	(7,690)	(17,456)	-
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer in	14,190	6,600	17,300	1,000
Net increase (decrease) in cash and equivalents	(196)	(1,090)	(156)	1,000
Cash and equivalents, beginning of year	10,944	1,090	1,500	8,662
Cash and equivalents, end of year	<u>\$ 10,748</u>	<u>\$ -</u>	<u>\$ 1,344</u>	<u>\$ 9,662</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	<u>\$ (19,777)</u>	<u>\$ (12,151)</u>	<u>\$ (17,346)</u>	<u>\$ (4,876)</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	5,379	-	-	4,876
Changes in assets and liabilities:				
(Increase) decrease in receivables	12	43	(27)	-
(Increase) decrease in prepaid expenses	-	3,796	-	-
Increase (decrease) in accounts payable	-	38	(83)	-
Increase (decrease) in due to other funds	-	584	-	-
Total adjustments	<u>5,391</u>	<u>4,461</u>	<u>(110)</u>	<u>4,876</u>
Net cash provided by operating activities	<u>\$ (14,386)</u>	<u>\$ (7,690)</u>	<u>\$ (17,456)</u>	<u>\$ -</u>

See accompanying notes to the financial statements

Total
Internal
Service
Funds

\$ 7,028

(46,560)

(39,532)

39,090

(442)

22,196

\$ 21,754

\$ (54,150)

10,255

28

3,796

(45)

584

14,618

\$ (39,532)

See accompanying notes to the financial statements

COUNTY OF SCHOOLCRAFT, MICHIGAN
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
September 30, 2008

	General Trust and Agency	Probation Restitution	District Court Trust	Sheriff Inmate Trust
ASSETS				
Cash and cash equivalents:				
Unrestricted	\$ 216,086	\$ 8,005	\$ 10,693	\$ 1,005
Receivables:				
Due from other governmental units	-	-	-	-
Other assets	-	-	-	-
Total assets	<u>\$ 216,086</u>	<u>\$ 8,005</u>	<u>\$ 10,693</u>	<u>\$ 1,005</u>
LIABILITIES				
Accounts payable	\$ 13,643	\$ -	\$ -	\$ -
Due to other funds	2,000	-	-	-
Due to other units governmental units	1,197	-	-	-
Undistributed taxes	126,682	-	-	-
Other liabilities	<u>72,564</u>	<u>8,005</u>	<u>10,693</u>	<u>1,005</u>
Total liabilities	<u>\$ 216,086</u>	<u>\$ 8,005</u>	<u>\$ 10,693</u>	<u>\$ 1,005</u>

See accompanying notes to financial statements

Payroll Trust and Agency	Library Fund	Retirement Fund	Housing Commission	Totals
\$ 2,000	\$ 11,969	\$ 13,930	\$ 1,361	\$ 265,049
16,621	5,011	-	7,445	29,077
-	-	-	1,764	1,764
<u>\$ 18,621</u>	<u>\$ 16,980</u>	<u>\$ 13,930</u>	<u>\$ 10,570</u>	<u>\$ 295,890</u>
\$ -	\$ -	\$ -	\$ 2,447	\$ 16,090
18,621	-	-	-	20,621
-	-	-	-	1,197
-	-	-	-	126,682
-	16,980	13,930	8,123	131,300
<u>\$ 18,621</u>	<u>\$ 16,980</u>	<u>\$ 13,930</u>	<u>\$ 10,570</u>	<u>\$ 295,890</u>

See accompanying notes to financial statements

ADDITIONAL INFORMATION

SINGLE AUDIT



ANDERSON, TACKMAN & COMPANY, PLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal
Alan M. Stotz, CPA, Principal
Raymond B. LaMarche, CPA, Principal
Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Schoolcraft County
Manistique, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of Schoolcraft County as of and for the year ended September 30, 2008, which collectively comprise Schoolcraft County's basic financial statements and have issued our report thereon dated January 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Schoolcraft County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of Schoolcraft, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County of Schoolcraft, Michigan's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County of Schoolcraft, Michigan's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County of Schoolcraft, Michigan's financial statements that are more than inconsequential will not be prevented or detected by the County of Schoolcraft, Michigan's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting, as item 08-1 and 08-2.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County of Schoolcraft, Michigan's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 08-1 and 08-2 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Schoolcraft County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain other matters that we reported to management of Schoolcraft County in a separate letter dated January 30, 2009.

Schoolcraft County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Schoolcraft County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the board of commissioners, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company P.C.

Certified Public Accountants

January 30, 2009



ANDERSON, TACKMAN & COMPANY, PLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal
Alan M. Stotz, CPA, Principal
Raymond B. LaMarche, CPA, Principal
Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Schoolcraft County
Manistique, Michigan

Compliance

We have audited the compliance of Schoolcraft County with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2008. Schoolcraft County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Schoolcraft County's management. Our responsibility is to express an opinion on Schoolcraft County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Schoolcraft County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Schoolcraft County's compliance with those requirements.

In our opinion, Schoolcraft County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2008.

Internal Control Over Compliance

The management of Schoolcraft County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Schoolcraft County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the board of commissioners, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company P.C.

Certified Public Accountants

January 30, 2009

COUNTY OF SCHOOLCRAFT, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended September 30, 2008

Federal Grantor/Pass-through/Program Title	Federal CFDA #	Agency/Pass- through #	Federal Expenditures
U.S. Department of Homeland Security			
Passed through Michigan Department of State Police, Emergency Management and Homeland Security Division:			
Homeland Security Grant Program:			
2007 Emergency Management Performance Grant	97.042		\$ 633
2008 Emergency Management Performance Grant	97.042		2,548
Passed through Department of Homeland Security:			
2006 Michigan Homeland Security Grant Program	97.067		24,399
Total U.S. Department of Homeland Security			27,580
U.S. Department of Health and Human Services			
Passed through State of Michigan Family Independence Agency:			
Family Support Payments to States - Assistance Payments	93.560		14,045
Child Abuse & Neglect Discretionary Activities	93.670	PROFC-08-77001	4
Child Support Enforcement	93.563	CSFOC-08-77001/ CSPA-08-77002	145,251
Passed through the Upper Peninsula Commission for Area Progress:			
Special Programs for the Aging - Title III, Part B	93.044		15,453
National Family Caregiver Support	93.052		846
Total U.S. Department of Health and Human Services			175,599
U.S. Environmental Protection Agency			
Direct payments:			
Brownfields Assessment & Cleanup Cooperative Agreements	66.818	BF-96597401-0	224,435
U.S. Department of Housing and Urban Development			
Passed through the Michigan State Housing Development Authority:			
Community Development Block Grant	14.228	MSC-2005-749-HOA	15
	14.228	MSC-2006-749-HOA	62,524
Total U.S. Department of Housing and Urban Development			62,539
U.S. Department of Transportation			
Passed through the Michigan Department of Transportation:			
Capital Investment Grants	20.500		\$ 123,202
Formula Grants For Other Than Urbanized Areas	20.509		116,067
Total U.S. Department of Transportation			239,269
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 729,422

See accompanying notes to the schedule of expenditures of federal awards.

COUNTY OF SCHOOLCRAFT, MICHIGAN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended September 30, 2008

NOTE A – OVERSIGHT AGENCY

The U.S. Environmental Protection Agency is the current year's oversight agency for the single audit as determined by the agency providing the largest share of the County's direct federal financial assistance.

NOTE B – BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards includes the grant activity of Schoolcraft County and is presented on the modified accrual basis of accounting.

NOTE C – PASS-THROUGH GRANTOR'S OR PROGRAM NUMBERS

The pass-through grantor's number represents the County's provider I.D. number. Such other I.D. numbers were not available or provided by the State administering agencies.

NOTE D – FEDERAL REVENUE RECONCILIATION

Federal revenue per governmental fund financial statements	\$ 409,715
Federal expenditures per schedule of expenditures of federal awards	<u>729,422</u>
Difference	\$ (319,707)

Reconciling items:

Federal revenues reported in the component units which are included on the schedule of expenditures of federal awards:

Economic Development Corporation	62,539
Public Transit	239,269

Federal funds disbursed on behalf of Schoolcraft County by Houghton County for the following grant program:

2006 Michigan Homeland Security Grant Program	<u>17,899</u>
Reconciled difference	<u><u>\$ -</u></u>

COUNTY OF SCHOOLCRAFT, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2008

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the basic financial statements of the County of Schoolcraft, Michigan.
2. Significant deficiencies disclosed during the audit of the basic financial statements are reported in the *Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards* and are detailed in part B of this schedule.
3. There were no instances of noncompliance material to the basic financial statements of the County of Schoolcraft, Michigan disclosed during the audit.
4. There were no significant deficiencies disclosed during the audit of the major federal programs as reported in the *Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133*.
5. The auditor's report on compliance for the major federal programs for the County of Schoolcraft, Michigan expresses an unqualified opinion.
6. There were no audit findings relative to the major federal programs for the County of Schoolcraft, Michigan.
7. The program tested as a major program included:
 - Capital Investment Grants, CFDA #20.500
 - Formula Grants For Other Than Urbanized Areas, CFDA #20.509
8. The threshold for distinguishing Type A & B programs was \$300,000.
9. The County of Schoolcraft, Michigan was determined to be a low-risk auditee.

COUNTY OF SCHOOLCRAFT, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2008

B. FINDINGS – FINANCIAL STATEMENT AUDIT

07-1. PREPARATION OF FINANCIAL STATEMENTS

Finding: The County of Schoolcraft, Michigan does not prepare their own financial statements.

Comment: A recently issued Statement on Auditing Standards No. 112 (SAS 112) requires a significant deficiency be reported as a result of the County of Schoolcraft, Michigan not possessing an individual qualified to prepare financial statements and the required footnote disclosures.

Management Response: Schoolcraft County has chosen their independent auditor to prepare these financial statements and required footnote disclosures on their behalf.

07-2. SIGNIFICANT AUDIT ADJUSTMENTS

Finding: Audit adjustments, which were more than inconsequential, were needed to adjust the financial reporting of the County of Schoolcraft, Michigan.

Recommendation: As required by Generally Accepted Accounting Principles, we recommend all accounts of the County be materially accurate in reflecting the financial reporting of the County.

Management Response: Additional efforts will be made to record more accurately the financial reporting of the County.

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS
AUDIT**

	<u>Questioned Costs</u>
There were no findings for the current fiscal year.	\$ -

COUNTY OF SCHOOLCRAFT, MICHIGAN

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2008

**A. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS
AUDIT**

There were no prior year findings or questioned costs.



ANDERSON, TACKMAN & COMPANY, PLC

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Kevin C. Pascoe, CPA

REPORT TO MANAGEMENT

Schoolcraft County Board of Commissioners
Manistique, MI 49854

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Schoolcraft, Michigan for the year ended September 30, 2008 and have issued our reports thereon dated January 30, 2009. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated July 31, 2007, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered County of Schoolcraft, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether County of Schoolcraft, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about County of Schoolcraft, Michigan's compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on County of Schoolcraft, Michigan's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on County of Schoolcraft, Michigan's compliance with those requirements.

Schoolcraft County Board of Commissioners
Manistique, MI 49854

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our letter about planning matters on November 18, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by County of Schoolcraft, Michigan are described in Note A of the financial statements. No new accounting policies were adopted and the applications of existing policies were not changed during 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was management's estimate of the useful lives on fixed assets and is based on management's past experience with useful lives of similar assets. We evaluated the key factors and assumptions used to develop the useful lives on fixed assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Our audit adjustments, individually and in the aggregate, were material and were primarily made to properly accrue revenues and expenditures.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Schoolcraft County Board of Commissioners
Manistique, MI 49854

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 30, 2009.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Comments and Recommendations

In planning and performing our audit of the financial statements of County of Schoolcraft, Michigan for the year ended September 30, 2008, we considered County of Schoolcraft, Michigan's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and recommendations regarding these matters. This letter does not affect our report dated January 30, 2009, on the financial statements of County of Schoolcraft, Michigan.

This information is intended solely for the use by the Board of Commissioners and the management of Schoolcraft County, Michigan, and is not intended to be and should not be used by anyone other than these specified parties.



Anderson, Tackman & Company, PLC
Certified Public Accountants

January 30, 2009

COUNTY OF SCHOOLCRAFT, MICHIGAN

COMMENTS AND RECOMMENDATIONS

September 30, 2008

COOPERATIVE REIMBURSEMENT REPORTS

Comment:

We noted 7 monthly Title IV-D Cooperative Reimbursement Expenditure Reports, which were submitted later than fifteen (15) business days after the month of service provided.

Recommendation:

We recommend all monthly expenditure reports be submitted within the fifteen (15) day requirement to insure reimbursement is received on a timely basis.

INMATE TRUST FUND

Comment:

The cash balance in the inmate trust account does not reconcile with the inmate payable list as of September 30, 2008, resulting in a difference of \$267.99.

Recommendations:

We recommend additional effort is made to accurately record the receipts and disbursements of monies relating to the inmate trust account. Cash held in trust from inmates should always equal with the amount of monies due to inmates after accounting for commissary purchases.

MEDICAL CARE FACILITY

Comments and Recommendations:

1. Journal Entry Approval – During our review of the journal entries made during the year, we noted that internal review and approval exists, however, it is not noted in writing on the journal entries. We recommend that review and approval of the journal entries be indicated by a signature or initials on the journal entry page.
2. Accounts Receivable – During our accounts receivable testing, we noted a receivable for Blue Cross Blue Shield in the amount of \$12,030.43. The amount was from a year prior to 2005 and could not be specifically identified to a patient. We recommend investigating this balance and writing it off or rebilling it as appropriate.

COUNTY OF SCHOOLCRAFT, MICHIGAN

COMMENTS AND RECOMMENDATIONS

September 30, 2008

ECONOMIC DEVELOPMENT CORPORATION

Comments and Recommendations:

1. Board Oversight – Because of the limited number of staff available at the Corporation, it is our feeling that Board oversight over financial activity is of significant importance. We recommend the Board for reviewing the disbursement activity each month. We recommend that this review continue, as well as a review of the monthly bank reconciliations and, on a consistent basis, the documentation backing up the disbursement and payroll activity. These steps will help to expand the internal controls and will help to mitigate the lack of personnel for complete segregation of duties.
2. Cash Disbursements – We noted during our audit, that the cash drawdowns for ongoing projects were not always expended within thirty days as required by state and federal guidelines. We recommend that management make every possible effort to meet this requirement in the future.
3. Grant Expenditures – For grant MSC-2008-0749-HOA there is a requirement that forty percent of the grant was to be expended by the third quarter of the grant term. This benchmark was not attained.
4. Property Liens – Over the years, the various requirements of the grants administered by the Corporation have changed. Presently there are, and have been, loans granted that are not forgivable, and are repayable if the home is sold. The Corporation's interest in these homes is recorded as a lien on the property. Presently there is no listing of these liens and their values. We recommend that such a list be developed so that the liens can be more easily tracked and accounted for.

PUBLIC TRANSIT

Comments and Recommendations:

1. Fare box Collections – We noted during our audit that lockboxes are not used on the buses and that drivers maintain their own log sheets. This creates a risk of unrecorded fares. We recommend the drivers begin using the lockboxes to further enhance the internal controls over fare box collections.
2. Contract Billings – We noted during our audit that the billings to Hiawatha Behavioral Health and Manistique High School were not always timely. We recommend that these billings be done on a timely basis each month.

COUNTY OF SCHOOLCRAFT, MICHIGAN

COMMENTS AND RECOMMENDATIONS

September 30, 2008

3. Board Minutes – During our audit, we noted that not all minutes contained bill approval. There were also several months' bills that were never approved by the board. We recommend that each month's minutes contain approval of the bills to be paid.

ROAD COMMISSION

Comments and Recommendations:

1. Approval of Time Sheets - We noted a lack of documentation relating to the approval of employee time sheets. We recommend the Engineer/Manager review and sign a pay period summary of hours to document the approval process.
2. Approval of Journal Entries – Journal entries were initiated and recorded by the Office Manager and were not being reviewed by another member of management. We recommend journal entries to adjust the general ledger of the Road Commission be reviewed by the Engineer/Manager. Journal entries should provide adequate explanation to the purpose of the adjustment, and reviewed and initialed by the Engineer/Manager, preferably on a monthly basis. Such management oversight assists in strengthening the internal controls over the financial reporting of the Road Commission.